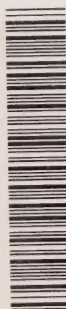


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Ontario

Ontario
Automobile
Insurance
Board

Industry-Wide Hearing Part 1

Classification System
and
Data Availability

DECISION WITH REASONS

CA20N
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pt.1



I-88-1A

IN THE MATTER OF the Ontario Automobile Insurance Board
Act, 1988, S.O. 1988, c. 18;

AND IN THE MATTER OF an industry-wide hearing by the
Ontario Automobile Insurance Board pursuant to Section
20 of the said Act.

BEFORE: M. Patricia Richardson
Vice Chair and Presiding Member

John P. Kruger
Chairman

Mary Elizabeth Atcheson
Vice Chair

Alvin Field
Member

Frank Marchington
Member

Lorna Ann Milne
Member

August 30, 1988

EXECUTIVE SUMMARY

This is the decision and reasons of the Board for Hearing No. 1 in the Industry-Wide Hearing which the Board called on its own motion (see Appendix B). The Board in this proceeding is (1) to either prescribe classes of risk exposure or review (and vary if required) the classes prescribed by Ontario Regulation 406/88, and (2) to consider the data on which it could rely for purposes of the classification plan and for rate making.

Chapters 1 to 3 set out the background - legal and procedural - to this proceeding. Chapter 4 is a short description of the automobile insurance environment in Ontario today. Chapter 5 is a preliminary look by the Board at its jurisdiction under the Ontario Automobile Insurance Board Act, 1988.

The Board examines Ontario Regulation 406/88 in Chapter 6, and concludes that there are certain difficulties with its use as a basis for classification and rate making. It was for this reason that Board Counsel made a motion for an interim classification system and introduced an interim classification plan into evidence (the Interim Plan). Generally speaking the Interim Plan did not find favour with the parties. The Board finds the Interim Plan to be the only viable interim solution that was placed before it. However, the Board finds that an interim solution is not a practical solution and denies the motion. The

Board adopts a permanent plan, namely, an amended version of Ontario Regulation 406/88 (Board Class Plan). Gaps, inconsistencies, definitional problems and other matters will be dealt with by a Technical Committee, which is to report to the Board by September 22, 1988. The Board will reconvene the hearing to consider the recommendations of the Technical Committee.

The Board deals with data availability, accessibility and validity in Chapter 7. The Board finds that a statistical plan, based in part on the Board Class Plan, must be implemented contemporaneously with the latter. The Board also identifies a need for a questionnaire for new and renewal business in order that the Board Class Plan can be implemented. The Board finds that it cannot use the Superintendent's Automobile Statistical Plan and must establish a Board Statistical Plan. The Board also determines that a statistical agent for the Board will not be appointed but suggests that the Board and the IBC consider entering into an agreement whereby the IBC will provide products and services to the Board.

Chapter 8 deals with some specific consumer concerns, raised by the Consumers' Association of Canada (Ontario), individuals, a broker, the Canadian Vintage Motorcycle Group, a co-operative of taxi operators, and the Advocacy Resource Centre for the Handicapped.

CONCLUSIONS AND RECOMMENDATIONS

CHAPTER 6

1. The motion of Board Counsel (paragraph 6.15) should be denied.
2. The Board will adopt as its classification plan a version of Class Plan 406, as varied to incorporate the classification variables and values set out in Appendix D.
3. A Technical Committee, representative of both consumers and the industry and under the direction of Board Staff, should be formed to deal with problems specified in Appendix E and to make recommendations to the Board.
4. The Technical Committee should submit its Report by September 22, 1988. A hearing will be scheduled for the latter part of September, 1988 to obtain public comment on the recommendations contained in the Report.
5. The Board's classification plan should be implemented no later than June 1, 1989.
6. An industry-wide hearing will be held to provide a forum for consideration of future amendments to the classification plan to be prescribed by the order flowing from this Decision.
7. A study will be commissioned to consider the desirability and implications of the introduction in Ontario of a bonus/malus classification and rating system. This study will be considered as part of the industry-wide hearing described in Recommendation 6.

CHAPTER 7

1. A statistical plan which is based on the classification plan prescribed by the Board, not on the Stat Plan, will be implemented at the same time as the classification plan prescribed by the Board.


2. The Board will direct the Technical Committee to incorporate the items listed on pages 116 and 117 of the DMR/Mercer Report, except for gender and year of birth, in its recommendations on the Board's Statistical Plan unless, for reasons to be clearly stated by the Technical Committee, such inclusion is not advisable.
3. The Technical Committee should apply the concept of value information, or value coding, in making recommendations under item No. 6 of its terms of reference.
4. The Board will discuss with the Superintendent and the IBC how the claims tracking service proposed by the IBC may be included in the Board Statistical Plan.
5. The Board will not collect data for its statistical plan on any of the prohibited grounds included in section 33(1) of the Act.
6. The Board will discuss with MTO a structure and terms of reference for a co-ordinated effort with respect to program design and data collection.
7. The Board will adopt a standard questionnaire for use by all Ontario automobile insurers, and brokers and agents, in gathering new or additional data from insureds. Insurers will be given the option to delete parts of the questionnaire where the information sought is already on file with the company. The Board will require each insurer to file with the Board any and all correspondence and/or information provided to insureds with respect to the implementation of the new classification plan.
8. The standard questionnaire should be considered an application for the purpose of section 206 of the Insurance Act and the Board will discuss with the Ministry of Financial Institutions and the Superintendent how documents relating to the jurisdiction of the Board will be addressed.
9. Subject to the consent of the IBC, the Board will conduct a detailed review of the current and future hardware and software computer capability of the IBC for the purpose of determining whether the IBC should gather data in respect of the Board Statistical Plan. If the results are satisfactory, the Board will conduct negotiations for the purpose of entering into a product

and service agreement with the IBC for an initial term of two years. An appropriate regulation should be made under section 29(1)(d) of the Act prescribing the manner of gathering statistics and information in relation to automobile insurance.

10. The Board will adopt rules and procedures regarding the submission and verification of statistical data and insurers will be accountable to the Board for compliance.
11. The Board will retain primary responsibility for gathering financial information from companies and the data functions supporting rate compliance, monitoring and enforcement.

CHAPTER 8

1. The Board will request the Attorney General and the Government to include the Board in the intervenor funding project, Bill 174.
2. The Board will discuss with the Superintendent of Insurance the creation of a process whereby individual members of the public may have their complaints relating to automobile insurance addressed, and whereby compliance with the regulatory decisions of the Board may be monitored.
3. An appropriate regulation should be made under section 29(1)(j) of the Act authorizing the Board to approve risk management programs for the taxi industry and other industries in which risk management may have an application. A hearing will be held to address the issue.
4. Board Staff will consult with the Superintendent of Insurance, the IBC and other Ministries of the Government in order to determine how discrimination against the handicapped in obtaining insurance can be eliminated.



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- A. Lists of the insurers served and of the newspapers in which the Notice was published.
- B. Notice, Procedural Order - 1, Procedural Order - 2.
- C. Lists of the parties who appeared, the limited intervenors and the witnesses.
- D. Board Class Plan.
- E. Technical Committee.

1. INTRODUCTION

1.1 The Ontario Automobile Insurance Board (the Board) has been created by a statute of the Province of Ontario. Its primary mandate is to set industry-wide automobile insurance rates or ranges of rates in the Province which are, in the opinion of the Board, "just and reasonable and not excessive or inadequate". Further, the Board is authorized to approve the specific automobile rates of insurance companies and the Facility Association, and the payment of dividends in respect of contracts of automobile insurance. The structure, powers and obligations of the Board are set out in the Ontario Automobile Insurance Board Act, 1988, S.O. 1988, c. 18 (the Act), which will be discussed in greater detail below.

1.2 The Lieutenant Governor in Council made a regulation under the Act, filed June 27, 1988, prescribing the classes of risk exposure to be used in determining premiums, or rates, for coverage for different categories of automobile insurance. This regulation is Ontario Regulation 406/88 (Class Plan 406).

1.3 The Act gives the Board power to prescribe or review classes of risk exposure after holding an industry-wide hearing. As the Board is required under the Act to set a rate or range of rates with respect to each class of risk exposure prescribed, again after an industry-wide hearing, the Board was faced with an early choice before it could proceed to rate setting. Class Plan 406, as it stands, is part of the law of Ontario and insurance companies could be required to comply with it. Or, the Board could, after an industry-wide hearing, vary the classes set out in Class Plan 406 and/or prescribe other classes of risk exposure.

1.4 The Board decided, on July 5, 1988, on its own motion, to hold an industry-wide hearing (Industry-Wide Hearing) under section 20(5) of the Act, and divided it into four parts, as follows:

1. the hearing on the classification system and data availability (File No. I-88-1A), commencing on August 10, 1988;
2. the hearing on rate making methodology (File No. I-88-1B), commencing on August 22, 1988;

3. the hearing on profitability standards (File No. I-88-1C), commencing on August 22, 1988; and,
4. the hearing on the proposed rates or range of rates (File No. I-88-1D), commencing on a date to be appointed by the Board.

1.5 The hearing on the classification system and data availability commenced on August 10, 1988 and adjourned on August 19, 1988. The Board herein gives its Decision and reasons for decision in the first part of the Industry-Wide Hearing.

2. OVERVIEW OF THE ACT

2.1 The Act received Royal Assent on February 11, 1988 following its introduction, as Bill 2, into the Legislative Assembly of Ontario on November 4, 1987. It came into force or has been amended in accordance with the following proclamations of the Lieutenant Governor:

- . Proclamation dated March 9, 1988: sections 1-14, 16, 19, 21(1)-(3), 21(6)-(9), 25, 26, 27, 29, 30, 31, 33, 34, and 35 came into force as of April 5, 1988;
- . Proclamation dated June 23, 1988: sections 15, 17, 18, 20, 22, 23, 24, 28, 32 and 21(4)-(5) came into force as of July 4, 1988;
- . Proclamation dated June 23, 1988: (i) amended section 19(1) per section 19(2); (ii) repealed section 20(2) and substituted section 20(1a) and (2) therefor; and (iii) added section 20(5a), all as of July 4, 1988;

. Proclamation dated June 23, 1988: (i) amended section 29(1) per section 29(3); (ii) repealed section 29(2) and substituted section 29(1a) and (2) therefor; (iii) called section 30(2) into force per section 30(3), all as of July 4, 1988. In addition, section 33(1) was called into force per section 33(2) as of June 1, 1989.

As this is the first decision of the Board, this part of the Decision is provided for the convenience of the reader and for the purpose of introducing certain issues that will be referred to subsequently in greater detail. A more detailed description of the Act and its procedural implications may be found in the General Procedures Manual published by the Board.

2.2 The Board is established under Part I of the Act: sections 2 to 18 inclusive. It is composed of such number of members as the Lieutenant Governor in Council may appoint. The Lieutenant Governor in Council appointed John P. Kruger as Chairperson of the Board by Order in Council dated February 18, 1988. The two Vice-Chairpersons and the other members of the Board were appointed by Orders in Council, each dated June 21, 1988.

2.3 The Chairperson is authorized to assign members of the Board to various sittings and to designate one or more members to sit as a panel. A panel that conducts an industry-wide hearing must comprise at least three members. Panels of the Board are empowered to do anything that the Board, in full, could do.

2.4 The Board has exclusive jurisdiction to exercise the powers conferred on it under the Act (section 14(1)). The Board may proceed by way of an industry-wide hearing (e.g., sections 19(1) and 20(1)), or by way of a specific hearing (e.g., sections 22(9), 22(10), 23(2) and 24(3)). In some cases it has a choice whether to exercise its powers with or without a hearing (e.g., section 25(4)). The Board shall adopt the most expeditious method of determining matters on their merits in any proceeding (section 11(1)). The Board also has wide-ranging powers to obtain evidence and information (e.g., section 12).

2.5 The Board exercises its authority under the Act by the making of orders, which may be interim or final, and which may be conditional (section 13).

2.6 The Board has the power to reconsider any order or

decision made by it and may confirm, vary or revoke the earlier order or decision (section 14(2)).

2.7 Insurers, the Facility Association, groups of insurers, the Superintendent of Insurance, and the public may all participate in industry-wide hearings by being full participants (parties) or by making oral or written submissions (limited intervenors): section 11. A Board Counsel also will participate in all hearings (section 7(2)).

2.8 The Board may fix the costs of the proceedings, in its discretion, against any party to a proceeding; costs may include the costs of the Board (section 16).

2.9 The Board has the power to state a case on a question of law to the Divisional Court (section 17(1)). An appeal lies to the Divisional Court from any order of the Board upon any question of law or jurisdiction (section 18(1)).

2.10 The powers of the Board with respect to the Ontario automobile insurance industry as a whole can be found in sections 19 and 20 where it is given the authority to hold industry-wide hearings to prescribe and review, and vary if appropriate in the Board's opinion, classes

of risk exposure for different categories of automobile insurance and to set or review (and vary) the rates or ranges of rates with respect to such classes.

2.11 After classes of risk exposure have been prescribed, (either by Class Plan 406, or by order of the Board), the Board is directed to set a rate or range of rates, by order, with respect to each class after an industry-wide hearing (sections 13 and 20(1)). For the purposes of an industry-wide hearing, the Board may prepare proposed rates or ranges of rates for any class or classes of risk exposure for each category or categories of automobile insurance (section 20(8)).

2.12 The Board also is authorized to consider applications from insurers for an increase in the "capped rate" as defined in the Act. The insurer must demonstrate certain circumstances, and the Board has authority to approve, reject or vary the proposed rates, or reduce the capped rate for that insurer (section 21(3), (4) and (5)).

2.13 The Board also must approve the rates of each insurance company licensed under the Insurance Act, R.S.O. 1980, c. 218 and carrying on the business of automobile insurance (excluding an insurer whose licence is

limited to reinsurance) following the making of an order under section 20 setting a rate or range of rates. Rates approved by the Board could be the rate or within the range set by the Board (section 22) or other than such rate or outside such range (section 23). The Board also must approve or set rates for the Facility Association (section 24).

- 2.14 The Board is directed to set rates that are "just and reasonable and not excessive or inadequate" (sections 20(4), 23(8), and 24(3)).

3. THE HEARING

- 3.1 The Notice of the Industry-Wide Hearing dated July 6, 1988 was served by the Board on insurers and published in 16 Ontario newspapers. Lists of the insurers served and of the newspapers in which the Notice was published can be found in Appendix A. The Notice set out the four parts of the Industry-Wide Hearing.
- 3.2 The Board also issued a procedural order on July 6, 1988 which set out procedures for the Industry-Wide Hearing (Procedural Order - 1).
- 3.3 A Pre-Hearing Conference for the Industry-Wide Hearing, held on July 27, 1988, was attended by a quorum of the Board. Parties and limited intervenors were invited to make submissions on matters of procedure for the Industry-Wide Hearing. A preliminary list of issues had been prepared by Board Staff. This list of issues was discussed at the Conference and issues were added on the recommendations of parties and limited intervenors. A second procedural order for File No. I-88-1A, setting out the issues for purposes of the

Industry-Wide Hearing, was issued on July 28, 1988 (Procedural Order - 2), together with similar procedural orders for Parts 2 and 3 of the Industry-Wide Hearing.

- 3.4 The Notice, Procedural Order - 1, and Procedural Order - 2, for the hearing under File No. I-88-1A, have been included in Appendix B.
- 3.5 The Chairperson appointed a panel of six members of the Board to conduct the first part of the Industry-Wide Hearing, dealing with the classification system and data availability.
- 3.6 The hearing under File No. I-88-1A commenced on August 10, 1988 and was adjourned on August 19, 1988. The Board sat mornings, afternoons and evenings. Argument was oral, with optional written supplement, except for Issue 7. Issue 7 deals with the Board's cost powers under section 16 of the Act. The Board asked for written submissions to be filed by September 9, 1988, and a separate decision on Issue 7 will follow in due course.

- 3.7 Lists of the parties who appeared, the limited intervenors and the witnesses are included in Appendix C.
- 3.8 A daily transcript was kept of the hearing. All exhibits and transcripts are available from the Board Secretary for public inspection at the office of the Board located at 5 Park Home Avenue, 4th Floor, North York, Ontario.
- 3.9 All persons involved in this hearing were, of necessity, required to work long hours and weekends. The Board was obliged to release its Decision and reasons as soon as possible after the close of the hearing as knowledge of this Decision is necessary for the Board Panel and participants in the hearing on rate making methodology, which commenced on August 22, 1988 under File No. I-88-1B. The Board wishes to express its appreciation to all participants for their co-operation in keeping with the Board's very tight schedule.

4. UNDERSTANDING AUTOMOBILE INSURANCE TODAY

- 4.1 In Ontario today, there are approximately 6,800,000 registered motor vehicles and 5,900,000 licensed drivers. These include a mix of vehicle types and licence types. The registration of motor vehicles and the licensing of drivers are the responsibility of the Ministry of Transportation of Ontario (MTO) as provided primarily in the Highway Traffic Act, R.S.O. 1980, c. 198, as amended.
- 4.2 Generally, every owner of a motor vehicle is under a statutory obligation not to permit the operation of the vehicle on a highway unless it is insured under a contract of automobile insurance: Compulsory Automobile Insurance Act, R.S.O. 1980, c. 38, as amended, section 2(1). Insurers are required, by virtue of the same statute, to issue an "insurance card" (usually in the form of the pink "Motor Vehicle Liability Insurance Card" familiar to most of us) to each person with whom the contract is made or for whom it is renewed.

4.3 By virtue of the Insurance Act, every insurer, in order to carry on business in Ontario, must obtain a licence from the Minister of Financial Institutions. The Insurance Act historically has been the primary basis for the regulation of contracts of insurance in Ontario and prescribes the authority of the Minister of Financial Institutions and the Superintendent of Insurance (Superintendent) in this area.

4.4 There are some 235 insurance companies licensed to write automobile insurance in Ontario, although not all of them currently write this business. Most also write other types of general insurance contracts (i.e., classes of insurance other than life insurance). It is fair to say that these companies vary greatly in structure, size, product lines, target markets, distribution and market share. Although the regulatory environment regarding classification and rates is the same for all companies doing business in Ontario and there are some principles underlying the conduct of the business that are utilized by all companies, the characteristics of the companies are diverse.

4.5 "Insurance" and "automobile insurance" are defined in the Insurance Act (section 1) in general terms. Of particular note is section 209(1) of the Insurance Act,

which states the risks in respect of which an owner is deemed to be insured:

209.-(1) Every contract evidenced by an owner's policy insures the person named therein and every other person who with his consent personally drives an automobile owned by the insured named in the contract and within the description or definition thereof in the contract and within the liability imposed by law upon the insured named in the contract or that other person for loss or damage,

- (a) arising from the ownership, use or operation of any such automobile; and
- (b) resulting from bodily injury to or the death of any person, and damage to property.

Based on this provision, standard types of coverage have been developed as follows: accident benefits (first party liability); third party liability; collision; comprehensive; specified perils; all perils; and the family protection endorsement.

4.6 The terms of every contract of automobile insurance are stated in a policy issued by the insurer. The Superintendent has the power to approve policies, as well as other related documents such as application forms and endorsements (Insurance Act, section 203(1)). The evidence indicated that the Superintendent only approves policies with a standard wording.

4.7 Flowing from section 209 of the Insurance Act and the standard coverages developed over time, the general types of claims to which insurers will be subject are known. The interpretation of policies by the courts and the process of statutory reform also add or restrict types of claims from time to time. The amount of such claims, however, must be predicted. Together with the expenses associated with the business and the profit expected from the business, this amount is a principal component of the price of the product. The incentive to implement and refine ways of predicting risks, therefore, is clear. If factors can be found that are effective for this purpose, insureds can be grouped, by factor, so that similarly situated people are charged the same rate for the same coverage. Data, and judgment, are used by the industry in this predictive process for two purposes. First, the factors must be selected, implemented and reviewed over time to ascertain whether they are effective predictors of risk. Second, the actual claims experience of the groups defined by each factor must be determined in order to price the products so that the rate, or premium, is commensurate with the risk. As Mr. Edward Belton noted (Transcript, at 1372-73):

... insurance is a unique product in the sense that it has to be priced before its costs are known. I think there is misconception that insurance is priced retrospectively, and it is not, it is priced prospectively. There is a saying that we use yesterday's statistics to produce today's premiums out of which we must pay tomorrow's losses. So we use data ... on what has happened in the past and project that out into the future to determine what we have to pay.

4.8 Prior to the coming into force of the Act and Class Plan 406, insurers were at liberty to select the factors by which insureds would be classified and to develop the rules governing the assignment of insureds to particular classes. Thus, companies writing automobile insurance in Ontario currently do not have a uniform classification system in place, although there are similarities in the classification plans of the different companies. Put differently, there are widely-held convictions about the desirability of many classification factors, and disputes about others. Almost universally, insurers have used age, sex and marital status as classification factors. Use of these factors, together with family status and handicap, is permitted in a contract of automobile insurance under the Human Rights Code, 1981, S.O. 1981, c. 53, if the differentiation, distinction, exclusion or preference is on "reasonable and bona fide grounds" (section 21). The Act provides, however, that, as of June 1, 1989,

insurers will be prohibited from differentiating or making a distinction, exclusion or preference in a contract of automobile insurance on the basis of age, sex, marital status, family status or handicap.

4.9 It has been a business necessity to collect data that could be used, over the long term, to evaluate the selection of classification factors and, more immediately, to assign an applicant to the appropriate classes and to establish the claims experience of insureds within particular classes. Although the sources of historical data are not numerous, the evidence before the Board established that, from company to company, data from different sources was used in various ways, and given various weights in the rate making process.

4.10 The evidence established that the following sources of historical data exist:

1. Data developed by, and therefore proprietary to, individual companies. This data is organized according to the classification plan of each such company. Depending on the size of a company and the scope of its operations, it may have a credible data base for Canada only, or it may use

data bases developed in other jurisdictions, particularly in the United States;

2. Data compiled on an annual basis in accordance with the Automobile Statistical Plan of the Superintendents of Insurance;
3. Data compiled by industry organizations in accordance with the classification systems used by such organizations;
4. Data on licensed drivers and registered vehicles from the Ministry of Transportation of Ontario; and,
5. Data available from miscellaneous sources such as statistical plans and industry organizations in other jurisdictions.

4.11 Insureds are an important source of data to insurers. There is an information flow from insured to insurer that begins with the application for insurance, and continues as policies are renewed and circumstances change. This information is used in determining how each insured is to be classified, and it therefore becomes part of the historical data base. For

instance, an insured tells the insurer where the automobile is used or garaged so that the insured can be classified by territory. After a policy is issued, the experience of that driver will be captured, together with the experience of other drivers in that territory. In today's distribution system, this information usually is provided to an intermediary, not to the insurer directly. The intermediary could be an employee of the insurer, an exclusive agent appointed by the insurer, or a broker.

4.12 It has been noted that data is a critical "input" in the pricing "output". The evidence established that underwriting judgment also is exercised and examples were given of classification factors selected and maintained in the absence of specific supporting data (e.g., discounts for good students). In fact, data and judgment, and the interplay between the two, have been fundamental to an insurer's decisions, in today's marketplace, about how to meet, or beat, its competition.

4.13 The Act and the Board enter the scene when there are both strong upward and downward pressures on prices. These pressures have been described and analyzed in two major reports: Report of Ontario Task Force on

Insurance (Slater Report) (1986), and Report of Inquiry into Motor Vehicle Accident Compensation in Ontario (Osborne Report) (1988).

4.14 As these reports outline, the property-casualty business historically has been cyclical. When rates and profits are up, players already in the market may choose to grow, and new players may enter the market. Once the capacity to write has expanded, competition drives prices down. Eventually there is a correction to more adequate rates, and so begins the next cycle.

4.15 In the 1980's, the cycle was exaggerated because of a particular confluence of events. Because investment yields were considerably above average, some companies took steps to write more business in order to have more dollars available for investment purposes (at its worst, this approach is known as "cash flow underwriting"). This resulted in a lowering of premiums (whether they were lowered absolutely or relative to the optimum). At the same time, however, the cost of bodily injury and property damage claims was escalating (although the reasons and the dimensions are not entirely clear).

The market described above has affected consumers significantly in various ways. Insurers, understandably, have become more selective about the persons they insure in an attempt to lower the number and severity of claims by choosing insureds in lower risk classifications. The cost of automobile insurance has increased overall, but especially for insureds in higher risk categories. Many consumers have found it difficult to purchase automobile insurance from the standard writers. A relatively small number of companies do insure drivers who are generally considered to be high risk if those insureds meet the applicable underwriting criteria. Because, as noted above, automobile insurance is compulsory in Ontario, motor vehicle owners who could not otherwise purchase insurance have had to resort to the Facility Association. The evidence before the Board indicated that, upon renewal, 25 to 30 percent of the total number of motor vehicle owners insured migrate from one company to another (Mr. Robert Monte, Transcript, at 583). Both availability and affordability of automobile insurance are of concern to consumers. A significant number of motor vehicle owners and other drivers do drive while uninsured, although it should be

noted that the Osborne Report concluded that there is no evidence to suggest that there has been any substantial increase in this number (Volume I, at 611).

4.17 The Government of Ontario administratively froze rates on and after April 23, 1987. Since then, automobile insurers have been subject to what are known as "capped rates" under the Act, that is, the rate in place as of April 23, 1987. The capped rate was increased by an additional 4.5%, effective January 1, 1988, by virtue of a retroactive regulation made under sections 29(1)(h) and 29(2) of the Act. The Government granted a second increase of 4.5% effective August 1, 1988. (Ontario Regulation 405/88)

4.18 The Act, and the Board that it establishes, can fairly be said to come into being at a critical time for automobile insurers and insureds. In the Board's view, it is essential to appreciate the environment in which it begins to make its decisions and promulgate its orders.

5. THE JURISDICTION OF THE BOARD

5.1 In Chapter 2 of this Decision, the general scheme of the legislation governing the operation of the Board, the Ontario Automobile Insurance Board Act, 1988, is outlined. During the course of the hearing, it became apparent that there is some confusion concerning the powers of the Board under that legislation. Although the powers of the Board were not placed directly in issue, certain assumptions concerning these powers appeared to underlie some of the positions advanced by the parties. Accordingly, the Board considers it appropriate to set out, in a preliminary way, its view of its jurisdiction, and of the limitations thereon.

5.2 In general terms the Board's powers are two-fold: first, to prescribe or review classes of risk exposure for different categories of automobile insurance (sections 19(1), 20(1a)); and secondly, to set or review rates or ranges of rates with respect to such classes of risk exposure: section 20(1), (1a). Where the Board exercises its review power, it may vary the class or the rate or range of rates: section 20(2).

5.3 "Classes of risk exposure for different categories of automobile insurance" is the phrase used in the Act to describe what is commonly known as a classification plan. Ontario Regulation 406/88 (Class Plan 406) prescribes a classification plan for the Board's use or variation. The Board may, in the context of an industry-wide hearing, prescribe or review and, if appropriate in the Board's opinion, vary the classes of risk exposure: section 19(1) as amended by section 19(2), and section 20(1a), (2). The Board will then set a rate or range of rates with respect to the classes of risk exposure as prescribed: section 20(1), (2). The classification plan is not in effect, in whole or in part, until rates or ranges of rates have been set with respect to the prescribed classes of risk exposure for a category of automobile insurance.

5.4 The Board agrees with Board Counsel's submission in his commentary on the powers of the Board as set out in the Act that, unless there is a classification plan, there can be no Board-set rates. The Board has no rate making authority beyond the setting of rates according to prescribed classes of risk exposure.

5.5 The Board is also of the opinion that the Act

contemplates only one classification plan for the automobile insurance industry in Ontario, subject to any statutory provisions that permit exemptions. In the Board's opinion, this means that subclassification by insurers is not permissible under the Act.

5.6 The Board bases its opinion on section 20(1) of the Act, where the power to set a rate or range of rates is given only in respect of the classes of risk exposure prescribed under the classification plan. While it might be argued that, because the subsection permits a "range" of rates to be established, subclassification within the range is permissible, section 22(1) does not support this interpretation. Section 22(1) provides that, where an insurer "intends to charge the rate set under section 20 or a rate within the range of rates set under that section for a class of risk exposure", the insurer "shall apply to the Board for approval of the rate it intends to charge" (emphasis added). Further, insurers are prohibited from determining rates for any category of automobile insurance except on the basis of the prescribed classes (i.e., the classification plan) where rates have been set with respect to those classes: section 21(1)(a), (2).

5.7 In arriving at its opinion, the Board has also reviewed

the Act and finds that the scheme of the legislation can reasonably suggest only one thing, that the legislators intended a uniform classification plan for the industry in Ontario. If insurers, for instance, could use different classification plans, what would be the purpose in holding "industry-wide hearings" to prescribe classes (section 19(1)) or to review the classes (section 20(1a)) on an industry-wide basis; and why would there be an "industry-wide hearing" on individual applications for changes in the classification plan (section 20(5a))? Finally, it appears to the Board that the ability of consumers to compare premiums would not be advanced by the legislation if companies offering insurance in Ontario used many different classification plans to assess premiums charged consumers.

5.8 It was submitted in argument by Counsel for the IBC that the Board could permit a variation in definitions used by insurers with respect to accidents and convictions. Mr. Howard relied on section 20(7) as authority for the Board to permit such variations:

20(7) In determining rates or ranges of rates, the Board may consider any financial or other matter directly or indirectly affecting rates.

The Board is of the opinion that this subsection, as it relates to the determination of rates or ranges of rates, is not available to the Board in its review of the classes of risk exposure for the different categories of automobile insurance. This subsection provides for the matters that may be considered by the Board in setting rates, and states that, for purposes of determining rates, the Board may consider all matters directly or indirectly relevant. Further, it is the Board's opinion that such a variation of definitions would amount to a form of subclassification, which in the view of the Board is not permitted under the Act.

5.9 The mandate of the Board in setting rates, either initially or upon review, is to set a rate or range of rates that in the opinion of the Board is just and reasonable and not excessive or inadequate: section 20(4).

5.10 Once the rates or ranges of rates have been set under section 20, an insurer has two options. First, where an insurer intends to charge the rate set by the Board under section 20 for a class of risk exposure, or a rate within the section 20 range of rates for such class, the insurer must apply under section 22 to the

Board "for approval of the rate it intends to charge" for the class: section 22(1) (emphasis added). If the Board is of the opinion that the rate is not the one set by the Board under section 20, the Board will not approve the application and a hearing will be necessary: section 22(7), (9). If the rate is one that was set under section 20, then the approval is pro forma and, except where an insurer gives appropriate notice of intention to abridge time pursuant to section 20(12), the rate will take effect as of the date set out in the Board order: section 20(11).

5.11 Where an insurer wishes to vary a rate previously approved by the Board, and the varied rate will continue to be within the section 20 range of rates, the insurer must make an application to the Board for approval of the new rate, even though this new rate remains within the range: section 22(2)(b).

5.12 The second option available to an insurer once a rate or range of rates is set under section 20 is to apply for what is commonly referred to as a "deviation". Where an insurer wishes to charge a rate that is not the section 20 rate nor a rate within the section 20 range of rates, the insurer must apply to the Board for approval under section 23(1) prior to charging the

rate.

- 5.13 Where all the proposed rates in a section 23 application are below the section 20 rates or ranges of rates, the Board may hold a hearing where it is of the opinion that it is in the public interest to hold a hearing on the application: section 23(3)(a). If no hearing is held, the rates are deemed to be approved thirty days after the rates are filed: section 23(3). Where the proposed rate is above the section 20 rate or range of rates, the Board must hold a hearing: section 23(2). The onus is on the insurer in an application under section 23 to demonstrate to the Board that the proposed rate is just and reasonable and not excessive or inadequate, and that the circumstances of the insurer justify the use of the proposed rate: section 23(8).

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- 5.14 The Board also has rate making powers with respect to the Facility Association under section 24. Rates prepared by the Facility Association under section 10 of the Compulsory Automobile Insurance Act must be approved by the Board: section 24(2). The Board also has the authority to set rates after reviewing the rates prepared under the Compulsory Automobile

Insurance Act: section 24(3). Where a rate or range of rates has been set under section 20 for a class of risk exposure, the Facility Association must obtain approval for the rate it intends to promulgate for that class (section 24(5)), be it the section 20 rate or within the section 20 range (section 24(5)(a)) or a rate not set under section 20 (section 24(5)(b)).

5.15 From the insurer's perspective, once rates or ranges of rates with respect to prescribed classes of risk exposure are set by the Board and are in effect, every insurer is required to determine rates on the basis of the prescribed classes: section 21(1)(a), (2). The insurer may then charge only rates approved by the Board for that insurer under sections 22 or 23, or the rate charged under the Plan of Operation of the Facility Association under the Compulsory Automobile Insurance Act: section 21(1)(b).

5.16 Where the rates have not been set or are not in effect for a category of automobile insurance, the "capped rate" (defined in section 21(8)) continues to apply: section 21(3). There is a provision in the Act whereby an insurer may apply to the Board to increase any of its capped rates: section 21(4). Again the onus is on the insurer to demonstrate that the circumstances of

the insurer justify the increase, and that the resulting rate is just and reasonable and not excessive: section 21(4)(a), (b). The Board may approve the increase, may vary or reject the proposed increase, or may, if it is of the opinion that the capped rate is excessive, reduce the capped rate: section 21(5).

- 5.17 It was suggested by Mr. McArthur of SAFECO in closing argument that the Board consider an industry-wide increase in capped rates effective January 1, 1989. Mr. Howard offered his view concerning the power of the Board to grant such an increase. He relied on section 21(6) and submitted that this was a regulation-making power available to the Lieutenant Governor in Council. He also submitted that, if this particular meaning were not ascribed to section 21(6), the subsection would be without meaning and would be rendered a nullity according to principles of statutory interpretation. Board Counsel submitted that, with the amendment of section 29(1)(h) by proclamation, the Lieutenant Governor in Council had no continuing power to make regulations permitting such industry-wide increases in capped rates.

5.18 The Board agrees with Board Counsel's submission. The Board is of the opinion that neither it nor the Lieutenant Governor in Council has the power under the present legislation to grant an industry-wide increase in the capped rates. The Board is also of the view that section 21(6) does have meaning. At present, Ontario Regulation 405/88 permits insurers to increase their capped rates. If section 21(6) were not in the Act, insurers would be limited to charging capped rates (that is, the rates as of April 23, 1987) and not capped rates as increased under section 21(6) (namely, (i) capped rates increased by an aggregate amount not to exceed 4.5% as of January 1, 1988, and (ii) capped rates, as increased under (i), increased by an aggregate amount not to exceed 4.5% as of August 1, 1988, O.Reg. 405/88).

5.19 Finally, the Board has certain regulation-making powers (section 29(1a)), including the authority to exempt insurers from the requirements of Part II of the Act in respect of categories of automobile insurance, coverages, or classes of risk exposure (section 29(1a)(d)).

5.20 The Lieutenant Governor in Council also has regulation-making powers under the Act, namely, those specified in

section 29(1)(d), (e), (f) and (j). Of particular note is the power to make regulations under section 29(1)(j) authorizing the Board, following a hearing, to approve risk management programs for one or more policyholders. This envisages that, once a risk management program is approved, the classification plan will be varied, following an industry-wide hearing, to allow for reductions in premiums for those insurance applicants receiving certification under an approved program. No regulation has yet been made to permit the Board to approve risk management programs.

6. THE CLASSIFICATION PLAN

Introduction

6.1 The generally recognized function of a classification plan is to establish classes of insured persons exhibiting similar risk characteristics for the purpose of setting rates that will reflect the degree of risk presented by members of the class. Only if a classification plan accurately measures varying degrees of risk can a basic principle of insurance - that the premium be commensurate with the risk - be satisfied. If a classification plan does not accurately group risks, the results are that "good" risks subsidize "bad", and that underwriters will refuse to insure underpriced risks.

6.2 A classification plan may also incorporate social judgments; for example, differentiating on the basis of such characteristics as age, sex or race may be deemed so unacceptable as to be prohibited, even if such differentiation could be justified by statistical evidence.

6.3 Ideally, the establishment of a classification plan would involve a number of steps: consideration of the possible approaches; determination of principles to govern the selection of classes of risk exposure; selection of classes; collection of data against which the selected classes could be tested; revision and refinement of classes; and implementation. This process is a luxury that was not available to the Board.

6.4 The legislation governing the jurisdiction of the Board, the Ontario Automobile Insurance Board Act, 1988, requires the existence of a classification plan as a precondition to the setting of industry-wide rates. Pursuant to section 19(1) of the Act and the regulation-making powers under section 29(1)(a), (b) and (c), the Lieutenant Governor in Council prescribed a classification plan (Ontario Regulation 406/88), filed on June 27, 1988. This plan (Class Plan 406) prescribes the classes of risk exposure to be considered by the Board in determining rates under the Act. While the Board has the power, following an industry-wide hearing, either to prescribe a new classification plan (section 19(1), as amended by section 19(2)) or to review and vary the classes of

risk exposure prescribed by Class Plan 406 (section 20(1a)), the Board was mindful of a legal, and practical, imperative: only if a uniform classification plan were in place could Parts 2, 3 and 4 of the Industry-Wide Hearing proceed to deal, respectively, with rate making methodology, profitability standards and, ultimately, the setting of industry-wide rates.

6.5 Unless the Board could proceed with expedition, there existed the very real possibility that upwards of 170 individual insurance companies would apply for the only type of rate relief available in the transitional phase - that is, an increase in the capped rates pursuant to section 21(4) of the Act. It is the view of the Board that the need to allocate its resources to the resolution of such applications would seriously impair its ability to proceed in an orderly fashion towards a just and reasonable regulation of rates pursuant to its statutory mandate.

6.6 The major purpose of Hearing No. 1, therefore, was to determine whether Class Plan 406 could, and should, be used as the basis for setting industry-wide rates, either in its original form or as varied by the Board.

Class Plan 406

6.7 Class Plan 406 (Exhibit 5.2) may be described briefly as follows. Under the Plan, three major categories of automobile insurance are established with reference to types of vehicle - personal vehicles, commercial vehicles, and public vehicles.

- . The personal vehicle category comprises private passenger vehicles, motorcycles, trailers and camper units, off-road vehicles, snow vehicles and historic vehicles.
- . The commercial vehicle category includes interurban vehicles, commercial trailers, and commercial vehicles other than interurban vehicles and commercial trailers.
- . The public vehicle category consists of taxis and limousines, interurban buses, and other public vehicles.

There is further subdivision according to seven insurance coverages (accident benefits, third party liability, collision, comprehensive, specified perils,

all perils, and the family protection endorsement). Classification variables are prescribed in respect of each type of insurance coverage. For example, the classification variables for private passenger vehicles, third party liability coverage, include: territory, use of vehicle, annual distance driven, claims and conviction history, driving experience for both principal and secondary operators, abstinence on the part of principal and secondary operators, multiple vehicle coverage, and coverage limits.

6.8 Age, sex, marital status, family status and handicap are not included as classification variables under Class Plan 406. Section 33(1) of the Act, which is to come into force on June 1, 1989, prohibits differentiation or distinction on the basis of such factors. Apart from age, sex, marital status, family status and handicap, however, the classification variables contained in Class Plan 406 reflect, to a large degree, industry practice.

6.9 The process that preceded the implementation of Class Plan 406 may be described briefly as follows. Following the announcement on April 23, 1987 of governmental intent to provide a uniform classification plan and to establish an independent rate board, a

classification project team was assembled within the Ministry of Financial Institutions (MFI). Two reports were commissioned - the first by MLH&A INC., entitled "A Review of Current Automobile Classification Plans In Ontario" (October, 1987), and the second, prepared by William M. Mercer Limited, dealing with the "Distributive Effects of a New Standardized Automobile Insurance Classification Plan" (December 23, 1987). An Advisory Committee was constituted, comprising representatives of insurance companies, insurance brokers, insurers' organizations, consumer groups and the legal profession. This Committee met on four occasions between August, 1987 and January, 1988. In addition, a joint MFI/industry Technical Committee was established to advise and assist in putting together a proposed classification plan. Consultation was carried out with other ministries, including the Ministry of Transportation (MTO) and the Ministry of the Attorney General. During public hearings on Bill 2 (the proposed legislation) before the Standing Committee on the Administration of Justice, a number of representations were made concerning the classification system. In February, 1988, a consultative draft (Exhibit 5.1) was produced and circulated for comment. Some one hundred and fifty submissions were received in response to the draft and meetings involving the

industry, brokers and consumer groups were held. The draft was revised and subsequently implemented by Ontario Regulation 406/88.

Evidence Relating to Class Plan 406

- 6.10 Despite this process, the evidence before the Board disclosed serious difficulties with the use of Class Plan 406 as a basis for classification and rate making. The difficulties may be grouped into four major groups, relating to: (1) the lack of historical data to support classification or rate making on the basis of the plan; (2) the feasibility of implementing the plan by the targeted date of January 1, 1989; (3) gaps and inconsistencies in the substance of the plan; and (4) the lack of evidence concerning the actuarial or social soundness of the plan and alternatives thereto. Each of these areas of difficulty will be dealt with below.
- 6.11 The evidence of the consultants engaged by the Board pursuant to section 7(2) of the Act, DMR Group Inc. and William M. Mercer Limited, as contained in their Report to the Board (Exhibit 6.3) and in the oral testimony of Mr. Andrew Lamb and Mr. Theodore Zubulake (Transcript, at 34-49), established that, from the point of view of

both classification and rate making, there are serious problems relating to the availability, accessibility and validity of data captured by the Insurance Bureau of Canada (IBC) and MTO. As indicated in Chapter 7 of this Decision, the data captured by the IBC and incorporated in the Superintendent's Statistical Plan is not, and never was, intended as a basis for rate making. So far as MTO is concerned, much of the information required to support Class Plan 406 is not captured by that Ministry (for reasons of practice or mandate), is not subject to validation checks at source, and is not available in a timely and inexpensive manner. Accordingly, it was clear that, if Class Plan 406 was to form the basis of classification and rate making, the Board would have to have recourse to other sources of information.

6.12 The evidence before the Board also established beyond peradventure the practical impossibility of implementing Class Plan 406 by January 1, 1989. The process of gathering the information necessary to classify existing and new policyholders, of effecting the necessary systems changes, and of training brokers, agents and staff to accomplish these tasks cannot be achieved within the targeted time frame. The evidence of Messrs. Lamb and Zubulake (Exhibit 6.3, at 22, and

Transcript, at 49-51) was to this effect, and with this conclusion all parties were in unanimous agreement.

6.13 The Board also had before it evidence of deficiencies within Class Plan 406 itself. Mr. Zubulake testified (Transcript, at 52-57) concerning the absence of information and definitions necessary for rating and systems programming, and identified a number of inconsistencies within the plan. Other parties expressed concern that the time pressures surrounding the production and implementation of Class Plan 406 did not accommodate changes to the plan that were generally recognized to be desirable (Mr. Monte, Transcript, at 741-45, with particular reference to the Vehicle Code Service).

6.14 The fourth important area of difficulty had to do with the lack of evidence before the Board concerning both the social and actuarial soundness of Class Plan 406 and alternatives to the plan. The Consumers' Association of Canada (Ontario) (CAC), in particular, while conceding that Class Plan 406 represents a "modest improvement" over existing classification plans, attacked it as complicated and incomprehensible to consumers. The CAC also objected to the use of driving experience as a classification variable on the

grounds that it constituted an obvious and unacceptable substitute for age. Fundamentally, however, the CAC decried the treatment by Class Plan 406 of individual insureds on the basis of the historical experience of the group to which they belong. The solution put forward by Mr. Baggaley on behalf of the CAC was a form of "bonus/malus" system. Such a system, which is used in British Columbia by the public Insurance Corporation of British Columbia and which was recommended by the Slater Report, treats all insureds equally upon entry into the system, and subsequently adjusts premiums upwards to reflect at-fault claims and downwards to reflect claim-free years of driving experience. While Class Plan 406 does incorporate claims history as one classification factor, it does not treat this factor as the sole, or primary, factor affecting premiums.

Motion by Board Counsel

- 6.15 At the conclusion of evidence called in-chief by Board Counsel and cross-examination thereon, Board Counsel made a motion requesting that the Board order: (1) that the classification system to be determined as a result of the hearing be an interim classification

system; and (2) that the Board direct that a full hearing be commenced as soon as practicable to determine the most appropriate classification system to be used in the setting of rates for automobile insurance in the Province. The Board, after hearing argument on the motion, reserved its decision. Board Counsel indicated that he would be calling further evidence, prepared by William M. Mercer Limited (Mercer), relating to a proposed Interim Classification Plan (the Interim Plan).

The Interim Plan

6.16 Simply stated, the purpose of the Interim Plan was to "buy time." Adoption of the plan was intended to enable the Board to defer the establishment of a "final" classification plan until the merits of Class Plan 406 and alternatives thereto could be more fully investigated, while, at the same time, satisfying the legal requirement that there be some plan in existence before industry-wide rates could be established. In this way the Board could proceed to deal in the Industry-Wide Hearing with the principles of rate making and meet the targeted date of January 1, 1989 for issuing its rate decision. Mercer was instructed

to have regard, in preparing the Interim Plan, to the following criteria (Exhibit 5.5, at 4):

- . Accommodate, where reasonable, the risk classification plan prescribed in O. Reg. 406/88;
- . Eliminate age, sex, marital status, handicap status and family status as risk classification variables;
- . Retain, to the extent possible, the utility of the remaining classification subdivisions in use by Ontario insurers (after the removal of age, sex, marital status, handicap status and family status as classification variables);
- . Recognize that the ratemaking methodologies (and the resultant rates) have not yet been determined and will not be determined until a later date;
- . Provide sufficient flexibility so that the interim risk classification plan can be adapted to reflect:
 - (a) emerging experience,
 - (b) Board decisions at future dates, and
 - (c) other risk classification concepts;
- . Be implementable relatively quickly and without unreasonable cost, for use by the Board in conjunction with its expected rate decision;
- . Recognize that it is possible that currently available insurance data will be insufficient to fully support the ratemaking process that would flow from implementation of the classification plan in O. Reg. 406/88;
- . Minimize the need for the Facility Association as the underwriter of last resort; and
- . Not unnecessarily impede competition among insurers.

6.17 In attempting to arrive at an Interim Plan that could satisfy these criteria, Mercer employed the following

methodology (Exhibit 5.5, at 15-17). The classification plans currently in use in Ontario were identified by means of a sample of insurers. The sample consisted of eight plans, including Class Plan 406/88 and the statistical plan developed by the Insurers' Advisory Organization. Taking the classification variables set out in Class Plan 406 as the core (on the basis that these are universally used in Ontario), Mercer identified, for each coverage and classification variable, the specific values associated with that variable. Thereafter, a composite subdivision was created for each variable, and all variables for each line of business (personal, commercial and public) were combined to create a master classification code comprising all classification variable values. Results were checked against a sample of twenty other Ontario insurers for validation. No party successfully challenged Mercer's contention that the results were all-inclusive. Upon construction of the composite classification variable values, these were examined and recommended values were set forth (Exhibit 5.5, at Appendix D). Thus the Plan included both a structure and a re-examination of classification variables.

6.18 For purposes of rate setting by the Board, the

classification variable values could be collapsed into a smaller number of "Risk Price Groups". At the same time, the Interim Plan was designed to enable insurers to map their existing classification and rating values into the Plan's values without major systems change. Finally, the Interim Plan would not strictly require that additional data be captured, or that changes be made in respect of the reporting requirements under the Superintendent's Statistical Plan. Statistics would continue to be reported according to the current system.

Evidence Relating to the Interim Plan

6.19 The Interim Plan would require the setting of rate ranges as well as an overlap in ranges of rates. The greater the difference in an insurer's rates based upon a particular classification variable, the greater the range of rates necessary to permit the insurer to maintain its current rating structure. Much of the evidence centred about the precise magnitude of the range that would have to be permitted by the Board to enable insurers, and in particular non-standard insurers, to continue to rate on the same basis as at present in respect of an insured's claims and

convictions record. It was emphasized that the intent of the Interim Plan was not to permit insurers to continue to charge the same rates, but rather to retain some flexibility in respect of an insurer's ordering of rates (Ms. Irene Bass, Transcript, at 1176-80).

6.20 The Interim Plan, involving as it did a large number of classifying variables and utilizing ranges of rates, was designed to provide flexibility to the Board in its progress towards a final plan. At the same time, the Plan was intended to assist insurers by enabling them to maintain, so far as possible within the statutory requirement of uniformity, their current classification and rating structures without major systems change during the interim period.

6.21 Much of the evidence focused on the degree of systems change that would be necessary under the Interim Plan and the time required to effect such change. The evidence established that the greater the number of values utilized, the less the systems impact and the earlier the possible implementation date. The evidence of Ms. Bass, and of the parties -- in particular, that of Mr. Donald Pitkin of Real Time, Mr. Irwin Doxsee of Policy Management Systems, Mr. Stephen Lehmann of State Farm and Mr. Garrett Zwaal of Allstate - established a

probable time lapse of four months between the date rates were established and the date of implementation, bearing in mind the need to gather information, to train personnel and to adapt systems. On the basis of the evidence, the probable implementation date for the Interim Plan would appear to be April 1, 1989.

6.22 There was some disagreement concerning the extent to which the Interim Plan in fact maintained the flexibility of the Board to adopt a final plan. It was agreed that Class Plan 406 was "embedded" within the Interim Plan, and that the greater the extent of the departure of a final plan from Class Plan 406, the greater the necessary systems change prior to implementation of a final plan.

6.23 It was clear that a methodological implication of the structure of the Interim Plan was a potential for lack of uniformity of treatment of insured persons. For example, two insureds with differing risk profiles could be charged the same rate by the same insurance company if the company chose not to differentiate on the basis of the relevant classification variable (Transcript, at 1182-86).

- 6.24 Objections were also raised, particularly by the Insurance Brokers Association of Ontario (IBAO), to the potential for confusion among insureds arising out of the implementation, within a relatively short time period, of both an interim and a final classification plan. An associated concern had to do with costs that would have to be borne by insurers in implementing two classification plans.
- 6.25 Ms. Bass testified concerning the ideal duration of the Interim Plan. The Plan was intended to be of short duration, preferably six to nine months (Transcript, at 1186 and 1244-47). Extending the Interim Plan might decrease consumer confusion and allow insurance companies to amortize the costs of implementing the Plan over a longer time period. In the long term, however, extension of the Plan would be inimical to orderly rate making because data would continue to be reported as at present, and the collection of data for use in rate making would be postponed.
- 6.26 Much of the evidence focused not upon the structure of the Interim Plan, but upon the various classification variables and recommended values put forth by Mercer.

Ms. Bass was extensively questioned as to how she had arrived at the recommended values. The evidence suggested that the composite values had been analyzed and compared with the values established by Class Plan 406. Thereafter, based on judgment and experience and taking into account efficiency considerations and the need to eliminate age, sex, marital status, family status and handicap, Mercer had arrived at the recommended values with respect to the proposed classification variables. Of particular concern were difficulties surrounding the use of driver record--that is, claims and convictions - and the recommendation that classification cells be established, but perhaps "de-activated" by flat-rating because of difficulties with data and the lack of uniform practice among insurers concerning the definition of "accident" and their "forgiveness" policies. The evidence raised the competing considerations of treating insureds with similar claims histories uniformly, on the one hand, and avoiding dislocation, on the other, by ensuring that insurers, and particularly non-standard insurers, could continue to utilize this classification variable.

Alternatives

- 6.27 At the conclusion of evidence and cross-examination, the Board had before it, in addition to the Interim Plan proposed by Mercer, a number of alternatives. The preferred position of the IBC, supported by State Farm, SAFECO, the IBAO and other parties, was that Class Plan 406 should be adopted, with amendments, as the final classification plan. All agreed that, while there were difficulties with the plan, it was capable of implementation by June 1, 1989, the date of the coming into effect of section 33(1) of the Act.
- 6.28 Three other alternatives had been raised. The first, the bonus/malus plan put forward by the CAC, could not be implemented without further study of the details and implications of such a plan. The CAC accordingly supported adoption of the Interim Plan, with subsequent adoption of a bonus/malus system.
- 6.29 The second alternative (Exhibit 8.4), an interim system put forward without enthusiasm by the IBC in the event that its preferred option did not find favour with the Board, was not strongly advanced by the IBC and did not satisfy the legal requirement of a uniform classification plan. It was not considered further.

6.30 The third alternative was a variation of the preferred position advanced by the IBC and was put forward by Mr. Belton in the course of his oral testimony (Transcript, at 1366-76). Mr. Belton suggested that Class Plan 406 should be implemented effective June 1, 1989, but that industry-wide rates should not be set until there had been a chance to collect valid data under the new classification plan, a period of one year or more. Board Counsel submitted that, because the Board is required by section 20(1) of the Act to proceed with expedition to set rates once a classification plan is in place, this was not an option available to the Board. The IBC did not endorse the alternative suggested by Mr. Belton.

Board Decision

6.31 The Interim Plan put forward by Mercer represents, in the Board's view, an admirable attempt to achieve an interim solution to the dilemma faced by the Board. Indeed, the Interim Plan was the only viable interim solution placed before the Board. The Board has decided, however, that it should not be adopted. The reasons of the Board are several, but relate primarily

to the interim or short term nature of the plan. The costs, duplication and potential for consumer confusion are not, in the Board's view, justified by gains in terms of early implementation. The evidence established that the plan could be implemented only two months prior to June 1, 1989, the date when Class Plan 406 could be put into effect. Subsidiary concerns of the Board relate to the implications for the rating structure of the necessity for broad ranges of rates, and the potential for lack of uniformity, noted above (paragraphs 6.19 and 6.23). Moreover, the Board was concerned that implementation of an Interim Plan would postpone the collection of data necessary for rate making purposes.

6.32 The Board has determined that an interim plan is not appropriate if progress is to be made towards a just and reasonable regulation of rates. Only with the adoption of a plan involving certainty can data begin to be gathered to support the rate making process, and can insurers, brokers and consumers begin to prepare for the new regulatory environment. No doubt there will be costs as systems and business practices are converted to accommodate a uniform classification plan and Board-set rates, as well as dislocation as a result of the legislatively mandated removal of age,

sex and marital status as classification criteria and the consequent "averaging" of rates. Consumer confusion is also a possibility. It is the view of the Board that the adoption of an Interim Plan would not ameliorate, but rather would exacerbate, this position.

6.33 The Board has decided to select a plan that is permanent, not interim. Such a plan cannot, and should not, be regarded as immutable. As information is collected under the plan, the classification variables can be tested against the information and refined. Nevertheless, the Board accepts, as a number of witnesses before it argued, that the structure and the major components of the plan should be kept in place at least long enough for a testing cycle to be completed and for the costs of such a major systems change to be reasonably amortized.

6.34 Having so determined, it remains to select the form of plan that should be adopted. In the Board's opinion, the only realistic alternative is a version of Class Plan 406, varied to eliminate the main deficiencies identified by the evidence. Before turning to deal in more detail with the proposed changes to Class Plan 406 and related issues, reference should be made to the

evidence.

- 6.35 The Board acknowledges the lack of an available, accessible and valid data base upon which to found the classification plan and rating system. In the absence of such a statistical foundation, classification must be based upon available information and informed judgment. Until valid data can be collected under the plan, it will be necessary, for purposes of rate making, to have recourse to other data sources to supplement existing Ontario data. While the Board recognizes this infirmity of Class Plan 406, it is an infirmity that is shared by any plan that might be implemented within the near future. The Board must start somewhere.
- 6.36 Turning to the lack of evidence before the Board concerning the actuarial and social merit of Class Plan 406, the nature of the public process that preceded the implementation of that plan should be noted. There is evidence that this process did not accommodate all concerns. Nevertheless, many deficiencies of the plan were aired before the Board and will be addressed by its amendments to Class Plan 406.
- 6.37 Moreover, the Board fully expects that, at least during

the implementation period, the Board's plan will be under continuous review. The Board anticipates that it will be actively involved, through Board Staff, in resolving the issues, questions and problems that undoubtedly will arise. The Board will also monitor closely, through a statistical plan to be discussed in Chapter 7, the effectiveness of the classification plan. In addition, the Board will propose below a further process whereby public and industry input into future amendments to the plan may be obtained.

6.38 Critical to the Board's decision in favour of an amended version of Class Plan 406 is the lack of a viable alternative plan that is capable of implementation within the foreseeable future. With respect to the proposal by the CAC that the Board consider a bonus/malus system, it is the Board's view that such a system should not be implemented without further study. While the proposal offers obvious advantages in terms of simplicity and understandability, the reliance by the system upon a driver's claims record as the sole or primary classification and rating variable raises questions of fairness that deserve consideration. The same factor militates strongly against the implementation of such a system in the absence of reliable data concerning the

sole or primarily determinative classification variable. Accordingly, a study will be commissioned by the Board to consider the desirability and implications of the introduction of a bonus/malus system. This study will be considered as part of the industry-wide hearing discussed in paragraph 6.39, below. It bears noting that the plan to be established by the Board incorporates variables relevant to bonus/malus classification and premium rating, and that data will be collected concerning the relevant variables. In addition, the manner in which the Board's plan incorporates these variables is more easily adapted to a bonus/malus system than is Class Plan 406.

- 6.39 The Board has determined that an industry-wide hearing should be held in the Spring of 1989 (or thereafter, given the need of all parties for preparation time) to provide a forum for consideration of future amendments to, and refinements of, the classification plan to be prescribed by the order flowing from this Decision. While the Board is mindful of the cost and confusion attendant upon any changes to the classification system and, as noted above, will not effect such changes lightly, it should be emphasized that a classification plan is not static and may be amended from time to time to accommodate desirable changes. Moreover, it

would appear from the evidence at this hearing that the classification of risks has not been studied in Ontario to the degree necessary to give the broader public a substantial degree of understanding of, and confidence in, the result. It would be premature at this point to attempt to specify exhaustively the issues to be considered at the proposed industry-wide hearing; however, the Board anticipates that certain matters identified elsewhere in this Decision as worthy of study - for example, bonus/malus - would be included.

6.40 There was evidence before the Board of a number of substantive deficiencies in Class Plan 406. These the Board proposes to deal with in the following ways.

6.41 First, the Board has selected a new set of classification variables and values that represents an amalgam of those found in Class Plan 406, those in use by the industry at present, and those recommended in the Interim Plan. These variables and values have been arrived at on the basis of judgment and in light of the evidence before the Board. The classification variables and values that have been selected, together with discussion and reasons for selection, may be found in Appendix D.

6.42

Reference has been made above (paragraph 6.13) to other difficulties with Class Plan 406, relating primarily to gaps, inconsistencies and definitional problems. The Board has decided to form a Technical Committee to deal with these problems and to make recommendations to the Board. The Committee will comprise representatives of both consumers and the industry and will operate under the direction of Board Staff. Such a Committee had been recommended by Mercer (Exhibit 5.5, at 25). Counsel for the IBC supported the establishment of such a Committee, and it was also endorsed by Counsel for State Farm and for the IBAO, and by Mr. Andrew Rogacki of Progressive Casualty Insurance Company. Counsel for the IBC and for State Farm, as well as Mercer, stressed that time was of the essence. The constitution of the Committee and the precise terms of reference are set out in Appendix E. The Committee shall submit its Report by September 22, 1988. For the purpose of obtaining public comment on the recommendations contained in the Committee's Report, the Board will schedule a hearing for the latter part of September, 1988. A notice of hearing will be sent to all parties.

6.43

Specific reference should be made to a number of issues that should, in the Board's view, be remitted to the Technical Committee. The Board has considered section

4(2) of Class Plan 406, which lists the coverages by categories of automobile insurance prescribed for the purposes of the Act. It is the Board's view that all existing and future automobile insurance coverages should be prescribed. As this matter was not considered in evidence before the Board, the Technical Committee has been asked to identify how any problems this creates might be resolved. Similarly, the Board has considered section 2 of Class Plan 406, which lists the policies and endorsements to which Part II of the Act applies. It is the Board's view that, again, a more inclusive approach should be taken with respect to endorsements. The Board is concerned that an insurer might attempt to do indirectly by way of endorsement what the insurer could not do directly by way of the policy because of the application of Part II of the Act. Either all endorsements could be included for the purposes of Part II, or an insurer could be prohibited from issuing an endorsement not otherwise prescribed where the result is or would be to defeat the rules and rates set by the Board. The Technical Committee has been asked to identify how any legitimate problems such an approach creates might be resolved. Finally, the Technical Committee is asked to propose a set of standard policy limits and deductible options. To take one aspect of the broader topic, all

policies with limits up to and including \$5 million (as opposed to the approach taken in Schedule 6 of Class Plan 406) should, in the Board's view, be subject to Part II of the Act and the Technical Committee is asked to comment on that conclusion.

6.44 The Board has determined that the date for implementation of the Board's classification plan shall be no later than June 1, 1989, the date specified in section 33(1) of the Act for the elimination of age, sex, marital status, family status and handicap as classification factors. The evidence before the Board was that June 1, 1989 could be achieved, although not without difficulty on the part of some insurers. Some work can begin immediately upon the decision of the Board following consideration of the Report of the Technical Committee; other work must await the setting of rates or ranges of rates for each class of risk exposure (Hearing No. 4 - File No. I-88-1C).

6.45 Some parties suggested that implementation of the classification plan should be confined initially to private passenger automobiles. The evidence before the Board at this hearing does not justify the exclusion of other types of vehicle from the operation of the plan.

Recommendations and Conclusions

6.46 It is therefore determined that:

1. The motion of Board Counsel (paragraph 6.15) should be denied.
2. The Board will adopt as its classification plan a version of Class Plan 406, as varied to incorporate the classification variables and values set out in Appendix D.
3. A Technical Committee, representative of both consumers and the industry and under the direction of Board Staff, should be formed to deal with problems specified in Appendix E and to make recommendations to the Board.
4. The Technical Committee should submit its Report by September 22, 1988. A hearing will be scheduled for the latter part of September, 1988 to obtain public comment on the recommendations contained in the Report.

5. The Board's classification plan should be implemented no later than June 1, 1989.
6. An industry-wide hearing will be held to provide a forum for consideration of future amendments to the classification plan to be prescribed by the order flowing from this Decision.
7. A study will be commissioned to consider the desirability and implications of the introduction in Ontario of a bonus/malus classification and rating system. This study will be considered as part of the industry-wide hearing described in Recommendation 6.

7. DATA AVAILABILITY, ACCESSIBILITY AND VALIDITY:
PAST AND FUTURE

- 7.1 Given the Board's statutory mandate to set rates or ranges of rates in respect of classes of risk exposure, it is incumbent upon the Board to consider the extent to which there is credible data on which the Board may rely.

Availability

Data from Insureds

- 7.2 It was noted earlier in the Decision that some of the data required to support rate making is provided by individual insureds to intermediaries (agents or brokers) in the application, renewal or revision processes. The report to the Board prepared by DMR Group Inc. and William M. Mercer Limited (the DMR/Mercer Report) stated (Exhibit 6.3, at 8):

From a quality control perspective it is questionable what percentage of

information entering the chain is either complete or accurate. In particular, the renewal process at present leaves the onus on each company through its policies and on each broker and agent through his adherence to those policies to establish the confirmation or modification of the policy holder information on file. The incentive to improve the quality of the data from the companies' perspective is improvement of their underwriting risk. However, there is little direct incentive for independent brokers to execute this function rigorously, although many do in the form of surveys and direct telephone contact.

This statement was not contradicted in other evidence before the Board. The Insurance Act provides, in section 206, that if an insured makes certain false statements, misrepresentations or omissions, then the insurer has a defence to a claim. In order for the defence to be available, any statement must be contained in the written application or purported application for the policy. The application process, therefore, is important to insurers.

Statistical Plans

7.3 The distinction between classification plans and statistical plans was explained in evidence by Mr. Zubulake (Transcript, at 25-26):

A statistical plan may be the same as a class plan but it may also be different than a class plan. For example, I said earlier that under Class Plan 406 colour of car is not a rating classification. It could, though, very well be a statistical classification ... the class plan is a means of grouping risks for rating purposes ... while a statistical plan is a means of grouping risks for data capturing, data gathering, statistical purposes

Although Class Plan 406 reflects, in many of its elements, the current practices of the industry, the evidence established that it is not a mirror image of any existing classification plan. Given that Class Plan 406 is a recent construct, the Board does not have available to it statistics collected and organized in accordance with Class Plan 406. The Board, therefore, considered existing statistical plans in relation to Class Plan 406.

- 7.4 The only industry-wide plan that includes Ontario business is the Automobile Statistical Plan (the Stat Plan). Since 1930, the Insurance Act has required that every licensed insurer carrying on the business of automobile insurance prepare and file with the Superintendent of Insurance (the Superintendent), or with a statistical agency designated by the Superintendent, a statistical return of the insurer's business in the form and format required by the

Superintendent (section 80). Over time, other provinces have adopted the same approach. The Stat Plan excludes business written by public insurance corporations in the provinces of British Columbia, Manitoba, Quebec and Saskatchewan. The Superintendent of each participating province and territory has appointed the IBC as the statistical agency under the relevant statutory provision.

7.5 According to Mr. Chan, a witness for the IBC, the Stat Plan was last amended effective January 1, 1985 to (Exhibit 8.5, at 7-8):

1. recognize variations in the use of the vehicle by youthful operators e.g. pleasure use, commuting to school or work, and business use (previously youthful operators were only distinguished on the basis of age, sex, marital status and territory). This coding, required on all private passenger vehicles, also allows some further analysis of current use classification;
2. include the total number of accidents for which claims were incurred by the insured for a historical period of 6 years;
3. include the number of years the vehicle has been operated claim free to a maximum of 6 years;
4. show the number of years licensed for principal operators licensed less than 10 years;
5. show the year of birth of the principal operator;
6. show the gender of the principal operator;
7. recognize the principal operators licensed less than 36 months who have graduated from an approved driving training course;

8. show the total number of additional operators as declared on the application;
9. show the years of driving experience of the operator with the least number of years licensed where vehicles have additional operators other than the principal operator.

Mr. Chan (Exhibit 8.5, at 6-7) and Mr. Monte (Transcript, at 681), both witnesses for the IBC, stated that at least 18 months must elapse following a change in the Stat Plan before meaningful data can be obtained. In this case, the data for 1985 is not considered reliable (Mr. Monte, Transcript, at 683-84) and, to date, only the 1986 data is available.

7.6 Mr. Monte and Mr. Chan opined that the Stat Plan was developed primarily for historical tracking, not rate making (Transcript, at 652-53, 659, 693). The Deputy Superintendent, Mr. Wells, indicated that the Stat Plan is not designed to meet any particular purpose of the Superintendent but has been used from time to time for particular purposes, including the setting of rates for the Facility Association and for checking "industry norms and the general environmental indicators" (Transcript, at 839-40).

7.7 In his written evidence, Mr. Chan stated that, because of the competitive structure of the automobile

insurance industry, the Stat Plan has been designed "to capture a minimally sufficient set of common variables" (Exhibit 8.5, at 9). He compared the data elements in this Stat Plan to the classification variables in Class Plan 406. In the case of private passenger vehicles, which he stated constitute 80 to 85 percent of the total automobile business by premium volume in Ontario, he concluded that generally data is not available from the Stat Plan for the following classification variables included in Class Plan 406 for this type of vehicle: annual distance driven; driving experience; conviction history; abstinence; and multiple vehicle (Exhibit 8.5, at 9-10). The Stat Plan includes even fewer of the classification variables used in Class Plan 406 for personal vehicles other than private passenger vehicles, commercial vehicles and public vehicles. This conclusion is confirmed in the DMR/Mercer Report and in the testimony of Mr. Zubulake (Transcript, at 35-37).

- 7.8 The evidence also established that some classification variables used in Class Plan 406 are included in the Stat Plan, although the subclassification may be different. For instance, in the case of the variable of Territory, the Stat Plan identifies only 19 of the 28 territories included in Class Plan 406 (Transcript,

at 37). Other examples include motorcycle engine size and the use categories for taxis and limousines (Transcript, at 36).

- 7.9 Another problem that was thoroughly explored in evidence was that of definitions of the variables. This problem has two dimensions, one of which relates to availability and the other of which relates to validity (discussed below). A variable may be defined differently in the Stat Plan than in Class Plan 406. An example is vehicle claims history. As noted in the DMR/Mercer Report, the definition of chargeable claim under Class Plan 406 differs in some respects from the current Stat Plan definition (Exhibit 6.3, at 34).
- 7.10 The DMR/Mercer Report also compared Class Plan 406 to the statistical plans of the Insurers' Advisory Organization (IAO) and the Insurance Services Office (ISO). One of the services IAO provides to its members is the publication of advisory rates for automobile insurance. The ISO is the principal statistical gathering and rate making organization in the United States.
- 7.11 Mr. Zubulake stated that, generally, the IAO statistical plan is more detailed than the Stat Plan,

although the primary source of data is the IBC. For instance, data is captured for all 28 territories incorporated in Class Plan 406, as is data on motorcycle engine size (Transcript, at 40).

Ministry of Transportation of Ontario (MTO)

7.12 MTO operates two large, separate systems to support vehicle registration and driver licensing. In addition to pre-filed evidence in the form of a letter (Exhibit 7.2) from Ms. Margaret Kelch, Assistant Deputy Minister, Safety and Regulation and Registrar of Motor Vehicles of MTO, in response to a letter from Board Counsel, evidence was given at the hearing by Mr. Richard Mackie.

7.13 MTO referred the Board to the former's statutory mandate, section 179 of the Highway Traffic Act, R.S.O. 1980, c. 198, as amended. Ms. Kelch wrote and Mr. Mackie stated that data collection by MTO has been driven by this mandate, not for any purpose relating to insurance classification or rate making (Transcript, at 131). Mr. Mackie agreed, however, that the mandate "does have some elasticity" to it (Transcript, at 131). Mr. Mackie also stated that MTO considers the data currently in the two systems to be data which is

available to the public and therefore not subject to restricted disclosure by the Freedom of Information and Protection of Privacy Act, 1987, S.O. 1987, c. 25 (Transcript, at 138).

7.14 Ms. Kelch wrote that, of the 91 classification variables in Class Plan 406 about which MTO was asked, MTO has not collected 41 and noted that they are outside MTO's mandate. It has collected 38 variables in some form; although the data is not aggregated, this could be done following systems changes (Transcript, at 135). MTO maintains a records retention/destruction program, however, which may limit the availability of some data elements that are collected. Ms. Kelch questioned the extent to which MTO is authorized to collect the other classification variables and posited that the Freedom of Information and Protection of Privacy Act might operate to restrict collection and/or disclosure of these variables. MTO does not have a specific legal opinion available on the latter point.

7.15 Particular attention at the hearing was focused on classification variables for which the Stat Plan cannot provide data, but which might be available from MTO. Class Plan 406 utilizes driving experience based on number of years licensed and driver training. Prior to

either 1978 (Transcript, at 137) or 1982 (DMR/Mercer Report, at 19) - there being a difference in the evidence - MTO did not retain the year a driver was first licensed. Even with that date, MTO cannot provide the total years of licensed driving experience because it does not collect data on periods of interruption (Transcript, at 169). Further, MTO does not retain any information on whether a driver has driver education apart from some data on commercial driver training (Transcript, at 148). In the case of conviction history, MTO retains, for the current and six prior years, convictions for related moving violations (whether under the Criminal Code, or the Ontario Highway Traffic Act or similar legislation in other provinces) which are provided to it by the courts. Only convictions for the most recent three years are made available to the public (Class Plan 406 calls for five years) and the types of convictions are grouped differently in Class Plan 406 than those recorded by MTO (Transcript, at 138-40, 166-68).

- 7.16 MTO has plans to rewrite the driver information system. Mr. Mackie indicated that the proposed completion date is 1991 or 1992 (Transcript, at 150). In response to Open Transcript Question 4.2.3, Ms. Kelch confirmed that a Driver Strategic Business Plan had been

completed and a submission to the Management Board of Cabinet will be made some time in the upcoming months.

Accessibility

- 7.17 The IBC, as the statistical agent for the Superintendents, publishes an annual volume, compiled as of December 31 in each year and available in April of the following year, entitled Automobile Insurance Experience. This annual volume is known as the "Green Book". The IBC also publishes some information semi-annually. Quite apart from the lengthy period between publications, the Green Book does not include all of the data captured by the IBC. A significant portion of the data that is captured but not published would be required to set rates based on Class Plan 406. Mr. Zubulake explained that the separate files that are needed to extract data have not been prepared because they have not been required in the past (Transcript, at 38). The evidence indicates that the minimum period to obtain this data would be four to six weeks (Transcript, at 39). The same problem appears to exist for IAO data (Transcript, at 38).

- 7.18 Companies are given thirty days after a month end in

which to submit the transactions required under the Stat Plan to the IBC. Some companies do meet this deadline. Apparently 80 percent of the companies have submitted data within an additional three weeks (Transcript, at 597). The IBC has a formal follow-up system for delinquent submissions and occasionally has had to ask the Superintendent to intervene. As the IBC collects data for the IAO, the currency of reporting data from IAO members is the same as for the Stat Plan.

7.19 Accessibility to MTO data presents a number of problems. Apart from the fact that systems changes would be required to aggregate data, the evidence establishes that much of the historical information maintained by MTO is kept on microfilm and is not available in an automated electronic form (Transcript, at 48). There is also some reporting delay in respect of data that comes to MTO from other sources. For instance, the lag in recording convictions is anywhere from one day to three to four months, depending on the source, the format in which it reaches MTO and MTO's processing backlog at any given time (Transcript, at 142, 159-60). Also, the formats for requesting information vary. For instance, with respect to convictions, approximately twenty companies and service bureaus make requests and obtain reports on a tape to

tape exchange, with a two to three day turn-around, while other companies make "paper" requests and are on a six to eight week turn-around (Transcript, at 144-45). It also should be noted that end users of MTO are subject to the payment of certain fees set by the Treasurer of Ontario.

Validity

7.20 One of the most bewildering problems that became apparent from the written evidence and during testimony is that of the lack of consistency of definitions of classification variables. Discrepancies in definitions between Class Plan 406 and the Stat Plan are perhaps predictable. The evidence established that definitions of particular variables in the Stat Plan differ from company to company. In some cases, this is recognized in the Stat Plan itself. For instance, the general instructions that are included in the Stat Plan state at page 18:

All premiums and Cancellations shall be charged to the Location (Province, Town) in which the vehicle is usually kept or chiefly used. (emphasis added)

Additionally, even if the definitions in the Stat Plan

are clear, the DMR/Mercer Report noted (at 34) that companies that define variables differently than the Stat Plan have to make decisions about how to code the transactions and may be inconsistent in such coding. Further, companies obtain data from MTO with respect to accidents and convictions. MTO defines "accident" as any accident that results in property damage over \$700.00. The police are required to report all such accidents. Obviously, this definition does not include all accidents, and reporting is based on the judgment of police officers. The problem with the definition of convictions already has been noted. Mr. Lamb concluded (Transcript, at 45):

So, what has happened is that companies have been required to report, based on their own coding and definition to the IBC, certain information that the IBC then gathers for statistical analysis for the industry and for government. And IBC, in effect, reinterprets some of this different coding to try and arrive at a reasonably standardized basis for uniformly reporting that. What this means is that really, there is no objective criteria today by which we can assess the validity of the data.

Although there was evidence that suggested that the definitional problems might not affect the usefulness of data for some purposes (Transcript, at 642-57), the existence of definitional problems appears to be widely

acknowledged.

7.21 The data which comes to the IBC as statistical agent is subject to a number of computer edit checks. The IBC has established an error threshold of two percent. If more than two percent of the data appears to be wrong, the whole submission is returned to the company; otherwise, the errors are placed in an error file and returned to the company. At least 80 percent of the submissions meet this test (Transcript, at 635). Similarly, the data on accidents and convictions received by MTO is subject to computer edit checks. Substantive checking procedures are not in place, however, and neither the IBC nor MTO can vouch for the validity of the data before it reaches them. The Green Book is checked by the Senior Actuary at the Office of the Superintendent of Insurance (Open Transcript Question 4.4.7, at 1).

Board Decision

7.22 As noted in paragraph 6.33 above, the Board has decided to select a classification plan that will be permanent, not interim (the Board Class Plan). The Board has decided that a statistical plan (the Board Statistical

Plan), based in part on the Board Class Plan, must be implemented contemporaneously with the latter so that collection of the data essential to rate making can commence at the earliest possible date.

7.23 In the Board's view, the Stat Plan is not suitable for this purpose, as the evidence established the following:

- . In purpose and content, the Stat Plan data is sufficiently different from the Board Class Plan to be of limited use in rate making on the basis of the Board Class Plan. Although it will be an essential source in the short term, the Board is cognizant of the need to collect specific data which the public can be confident supports the Board in meeting its mandate.
- . The validity of the data in the Stat Plan is questionable for the Board's rate making purposes. The Board does not wish to suggest that the Stat Plan may not be valid for other purposes. The Board's concerns are based on lack of specificity in the Stat Plan (e.g., in definitions) and the limited mechanisms in place to ensure that insurers are reporting in accordance with the Stat

Plan. The IBC, as statistical agent, does not have available to it any sanctions and relies upon the companies themselves to comply with the Stat Plan. The only audit checks that are made are the routine edit checks which one would expect to find in any computerized system.

- . The Stat Plan is uniform for the provinces that participate in it and the results are published in a national format. Changes to the Stat Plan currently are reached by consensus through the Automobile Statistical Agency Committee of the Canadian Council of Superintendents of Insurance, which Committee is itself being reorganized. The evidence suggests that the Stat Plan has not, in the past, been a priority item for that body, or for the Superintendent of Insurance of Ontario. Changes to the Stat Plan to meet the Board's requirements therefore would be extensive and would take some time to implement. Such changes might well affect the reference uses to which the Stat Plan and resulting Green Book are put.

7.24 The Board is aware that its decision may result in companies carrying on the business of automobile insurance in Ontario being required to collect data for

two different statistical plans, with the attendant expense. In the view of the companies, data reported in accordance with the Stat Plan may or may not have merit. The Superintendent may wish to consider whether the Board Classification Plan is preferable for Ontario's purpose and, if so, how to accommodate that result under the Insurance Act or how to amend the Insurance Act in this regard. The Board would be pleased to pursue discussions with the Superintendent on this matter in order to resolve it to the mutual satisfaction of the affected parties.

7.25 As stated in paragraph 6.45 and Appendix E, one of the terms of reference of the Technical Committee established by the Board is as follows:

6. Make recommendations as to what data are to be captured under the Board's statistical plan, and the tabular layouts of the data.

In completing this task, the Board has certain directions to issue to the Technical Committee, which are stated below.

7.26 The DMR/Mercer Report (at 4, 116-17) recommended that the Board consider the collection of certain data, in addition to that strictly required to support the Board

Class Plan, for specific time frames and purposes. The collection of this data would assure future flexibility for the Board in actuarial rate making and systems. The Board agrees and directs the Technical Committee to incorporate the items listed on pages 116 and 117 of the DMR/Mercer Report, except for gender and year of birth, in its recommendations on the Board's Statistical Plan unless, for reasons to be clearly stated by the Technical Committee, such inclusion is not advisable.

- 7.27 The DMR/Mercer Report (at 4) recommends the gathering of "value information". This is sometimes also referred to as "value coding". For example, the Board Class Plan includes territory as a variable, broken into three classes (under 16,000 km., 16-32,000 km., over 32,000 km.). The Board Statistical Plan could collect data regarding the range into which an insured falls, or it could collect the actual number of kilometers driven by the insured. Other examples would be to collect the year an insured was first licensed, as opposed to the number of years licensed, or to code the location of a vehicle by postal code. The placement in the ranges can be calculated using this information, and it will be useful in evaluating the Board Class Plan. The Board therefore directs the

Committee to apply the concept of value information or coding in reaching its recommendations.

7.28 In Exhibit 8.6, the IBC submitted the outline of a mandatory claims tracking service for Ontario automobile insurance. Little evidence was heard on this submission but it was clear that the IBC is awaiting a decision from the Superintendent as to whether the Stat Plan will be amended to accommodate such a service. Capital expenditures of \$1.3 million have been made by the IBC.

7.29 In the Board's view, claims tracking, in principle, is a necessary part of a uniform classification and rate setting process. The IBC submission deserves study before it can be determined how the claims tracking service proposed could be implemented as part of the Board Statistical Plan. Immediate discussions between the Board, the IBC and the Superintendent should take place in order to resolve the issue as it pertains to the Board's Statistical Plan so that steps are coordinated. The Technical Committee is not asked to address the details of the service but should be aware of the Board's intentions.

7.30 The DMR/Mercer Report recommended (at 5) that the Board

continue to collect information on age and sex in order to monitor and enforce non-discriminatory practices by companies and their agents or brokers in the light of the prohibitions on these grounds contained in section 33(1) of the Act. Mr. Lamb gave a very practical explanation for this recommendation (Transcript, at 62):

Any one of us in this room can look around us and probably make a reasonable judgment as to the -- at any rate the age and sex or visible handicaps of our near neighbours or anyone else in the room. In doing so, we are in very much in the same position that the broker or agent is when they're face-to-face with an insurance applicant. The Board, however, will not be in that position of being that close to individual insurance applicants ... we think it important that the Board through the policy application procedure continue to capture that information albeit in a section reserved for its own use

The Board has considered this recommendation at some length. It is a cautious approach that would give the Board data against which to test actual classification. The Board is aware of the strongly-held views current in some parts of the insurance industry in favour of continuing classification on the grounds prohibited by the Act. The Board also is aware of the degree of skepticism, healthy or otherwise, that many consumers feel towards the integrity with which data is collected

and used. On balance, the Board is of the view that data on the variables specified in section 33(1) of the Act should not be collected. Insurers are subject to an irreducible statutory prohibition, the breach of which would subject a company, amongst other things, to legal penalties. The Board Class Plan defines the universe of factors that are to be used in classification, and specific rates must be assigned to those factors. The Board will use the monitoring and enforcement methods available to it in carrying out this important mandate.

- 7.31 The data systems maintained by MTO have a considerable potential for supporting the accuracy of classification by insurers and for providing data under the Board Statistical Plan. The evidence indicated that a good working relationship exists between the industry and MTO. Some co-ordination has occurred in the past between MTO and the Superintendent. It seems an appropriate time, given the interests of consumers, insurers, the Superintendent, the Board and MTO, to focus on very precise questions arising from the need to co-ordinate the development of data programs, structures and procedures. Based on this Decision and the Board's response to the recommendations of the Technical Committee, the Board shall initiate

discussions at a senior policy level of MTO to develop a structure and terms of reference for a co-ordinated effort with respect to program design and data collection.

7.32 In order to implement the Board Class Plan, insurers, through brokers and agents or otherwise, will have to obtain certain information based on the classification variables from insureds. The Board heard considerable evidence concerning the importance and complexity of this step, and the time and resources that would therefore have to be allocated to it. The Board has referred to the Technical Committee the selection of the proposed standard wording for the new and renewal business questionnaires. Insurance companies licensed for the class of automobile insurance in Ontario will be required by the Board to use the standard questionnaire, subject to the option to delete parts of the questionnaire where the information sought is already on file with the insurance company. In addition, each such insurer will be required to file with the Board any and all correspondence and/or information provided to insureds with respect to the implementation of the Board Class Plan.

7.33 In the Board's view, the questionnaire should

constitute all or part of the application by an insured for a new contract or the renewal of an existing contract following implementation of the Board Class Plan. Given the importance of the information sought in the questionnaire to classification and application of a rate to a particular class, the Board's view is that the questionnaire should be considered an application for insurance for the purposes of section 206 of the Insurance Act. As application forms must be approved by the Superintendent under section 203 of that Act, the Board will initiate discussions immediately with the Ministry of Financial Institutions and the Superintendent to address how documents relating to the jurisdiction of the Board will be addressed. As this is a matter of concern to insurers, given the systems and cost implications of new forms or changes to existing forms, it is anticipated that the industry will be consulted as appropriate.

- 7.34 It follows from the decision of the Board to develop its own statistical plan that the Board must address by whom the data is to be collected and processed for use by the Board, and, if the Board does not perform that function itself, on what terms and conditions is it to be performed by others.

7.35 The Board has looked to its mandate to determine the criteria it should use in making these decisions. The Board is required, upon classes of risk exposure being prescribed for a category of automobile insurance, to set rates that are just and reasonable and not excessive or inadequate. The Board must have available to it, on a timely basis, valid data that is suitable for supporting the particular rate making decisions required of the Board. This data must withstand the scrutiny of industry-wide hearings and be seen to be credible by the broader public. The data must also be available to support the decisions with which the Board may be faced in the use of its investigation and enforcement powers. The cost of collecting, analyzing and maintaining the data must be considered by the Board given that it could be a significant expense to the Board and therefore a matter of concern to the Government and those who may be assessed the costs of the Board.

7.36 The Board cannot divest itself of or delegate its obligations as the rate maker and enforcer of compliance with the rates made. The Board is of the view that ultimate statutory responsibility for data collection, analysis and maintenance rests with the Board, and therefore the Board will not appoint a

statistical agent for the purpose and on the terms similar to those apparently used by the Superintendent.

7.37 The practical question before the Board is how to organize its data functions. The evidence suggests that the only immediate options are for the Board to develop the hardware and software, or for the IBC to perform the service on behalf of the Board, or some combination of the two (i.e., a joint venture).

7.38 The DMR/Mercer Report (at 5) recommended that the IBC should continue as the central data gathering agency for data to be included in the statistical plan based on the classification plan to be prescribed by the Board.

7.39 The evidence established that the IBC currently is the central data gathering agency for automobile insurance in Canada. It has already been noted that the IBC is the statistical agent appointed by all provincial and territorial Superintendents of Insurance for the Stat Plan and, in that capacity, collects data from members and non-members. It also collects data for various purposes from its own members, the IAO, the Facility, the Facility Association, the Insurance Crime Prevention Bureau, Canvid and Polycom (Open Transcript

Question 4.4.1). "Information Systems" is the largest of the IBC's five major divisions with a budget for 1988-89 of \$8.63 million, compared to a total IBC budget for the year of \$23.5 million (Open Transcript Question 4.4.4). There is no precise estimate of how much of the \$8.63 million is devoted to the gathering of automobile statistical data for Ontario. It is estimated that the major part of the information system expenditures would be for automobile, and the bulk of those expenditures, in turn, would be for automobile in Ontario.

7.40 The IBC provided the Board with a description of the facilities at its Data Centre (Exhibit 8.9) which includes hardware valued at approximately \$7 million and software between \$17 and \$19 million. Mr. Lamb noted that the IBC has the most extensive data base existing today (Transcript, at 60).

7.41 It should be noted that the IBC has never played a rate making function, whether advisory or otherwise, given the provisions of the Competition Act of Canada (Transcript, at 557).

7.42 The Board observed certain features of the IBC's procedures which, while understandable in the existing

context, would be of concern to the Board in considering its own statistical plan. The first relates to validity of source data and the second to compliance with timely reporting. The IBC does not perform verification checks or audits on the data provided to it (as opposed to normal computer edit checks on receipt of the data, which it does perform), in the case of the Stat Plan, by all insurers whether or not they are members of the IBC. Presumably this is because such steps are not required by the Superintendents. The IBC does not appear to have power to enforce the deadlines for submission of data incorporated in the Stat Plan. Membership in the IBC is voluntary, although the Constitution of the IBC does require the submission of data requested (Transcript, at 591). In no case has the membership of an IBC member been terminated for any reason related to data verification or timeliness. The IBC effectively is limited to "cajoling" both its members and non-members (Transcript, at 591) unless the Superintendent becomes involved.

7.43 Counsel for the IBC argued that the IBC should be appointed statistical agent for the Board (Transcript, at 1476). The insurance companies which, as parties or limited intervenors, spoke to this point in oral

argument also supported the appointment of the IBC. The CAC was of the view that the Board should conduct its own data functions.

7.44 The Board has decided that it should not create its own data processing capacity at this time for purposes of the Board Statistical Plan, although it is of the opinion that it must control the data function and that the data under the new statistical plan will be the property of the Board. The Board also rejects the appointment of a statistical agent in the format developed in the Stat Plan. The Board proposes to conduct a detailed review, if the IBC wishes to participate, of the current and future hardware and software capability of the IBC and, if the results of the review are satisfactory, to negotiate a product and service agreement with the IBC for an initial term of two years. The Board also intends to consult with the Superintendent on this proposal. In effect, the Board proposes that the IBC act as a service bureau for the Board for as long as it is able to meet the Board's needs on a competitive basis. This is a matter which the Board will monitor. The obligations under the Board Statistical Plan with respect to quality of data and timeliness of submission will be established and enforced by the Board and the agreement will provide

the precise nature of the verification procedures to be conducted by IBC. An appropriate regulation should be made under section 29(1) (d) of the Act prescribing the manner of gathering statistics and other information in relation to automobile insurance.

- 7.45 The Board wishes to be clear that the role it contemplates for the IBC relates to data for the Board Statistical Plan. The Board accepts the recommendation contained in the DMR/Mercer Report (at 10) that the Board should retain primary responsibility for gathering financial information data to be analyzed in conjunction with rate filing. The Board also will pursue its responsibility for rate compliance, monitoring and enforcement.

Conclusions and Recommendations

- 7.46 It is therefore determined that:

1. A statistical plan which is based on the classification plan prescribed by the Board, not on the Stat Plan, will be implemented at the same time as the classification plan prescribed by the Board.

2. The Board will direct the Technical Committee to incorporate the items listed on pages 116 and 117 of the DMR/Mercer Report, except for gender and year of birth, in its recommendations on the Board's Statistical Plan unless, for reasons to be clearly stated by the Technical Committee, such inclusion is not advisable.
3. The Technical Committee should apply the concept of value information, or value coding, in making recommendations under item No. 6 of its terms of reference.
4. The Board will discuss with the Superintendent and the IBC how the claims tracking service proposed by the IBC may be included in the Board Statistical Plan.
5. The Board will not collect data for its statistical plan on any of the prohibited grounds included in section 33(1) of the Act.
6. The Board will discuss with MTO a structure and terms of reference for a co-ordinated effort with respect to program design and data collection.

7. The Board will adopt a standard questionnaire for use by all Ontario automobile insurers, and brokers and agents, in gathering new or additional data from insureds. Insurers will be given the option to delete parts of the questionnaire where the information sought is already on file with the company. The Board will require each insurer to file with the Board any and all correspondence and/or information provided to insureds with respect to the implementation of the new classification plan.
8. The standard questionnaire should be considered an application for purposes of section 206 of the Insurance Act and the Board will discuss with the Ministry of Financial Institutions and the Superintendent how documents relating to the jurisdiction of the Board will be addressed.
9. Subject to the consent of the IBC, the Board will conduct a detailed review of the current and future hardware and software computer capability of the IBC for the purpose of determining whether the IBC should gather data in respect of the Board Statistical Plan. If the results are satisfactory, the Board will conduct negotiations

for the purpose of entering into a product and service agreement with the IBC for an initial term of two years. An appropriate regulation should be made under section 29(1) (d) of the Act prescribing the manner of gathering statistics and information in relation to automobile insurance.

10. The Board will adopt rules and procedures regarding the submission and verification of statistical data and insurers will be accountable to the Board for compliance.

11. The Board will retain primary responsibility for gathering financial information from companies and the data functions supporting rate compliance, monitoring and enforcement.

8. CONSUMER CONCERNS

- 8.1 Despite the quasi-judicial nature of the Board's activities and the barrier this might appear to present to citizen participation, the Board is pleased to note that it has already received more than 500 inquiries regarding its hearings. The Board will hold evening sessions to accommodate the schedule of any member of the general public who feels a need to be heard by the Board.
- 8.2 In its first hearing, the Board received written submissions and also heard oral evidence from some members of the general public and others who had a particular insurance interest. The highlights of some of these concerns are set out below.

Consumers' Association of Canada (Ontario) (CAC)

- 8.3 The Board was pleased to have the participation of the CAC, which had full party status before the Board. The CAC participated at its option in the cross-examination

of various witnesses, and also presented evidence-in-chief.

8.4 The Board notes the decision of the Government not to provide the CAC with intervenor funding. The CAC has stated that this has prevented it from providing technical evidence to the Board. Despite this handicap the representative of the CAC, Mr. Carman Baggaley, was able in his testimony to capture in general terms the concerns and position of the CAC. There is no doubt, however, that the ability of the CAC to provide the Board with evidence concerning the details and implications of its proposed bonus/malus system was hampered by a lack of funding. The CAC has also been unable to supply the Board with evidence concerning the alleged deterrent effect of a bonus/malus system - that is, its effect in reducing the incidence and severity of accidents.

8.5 The CAC has indicated to the Board its intent to apply for costs, and any such request will be considered by the Board in due course. It is the opinion of the Board, however, that an award of costs at the conclusion of proceedings is often a poor substitute for intervenor funding. The latter form of funding, whereby monies are provided in advance of proceedings,

removes the uncertainty faced by an individual or organization as to whether costs will in fact be awarded, and in what amount.

- 8.6 There is currently proposed an intervenor funding project, the purpose of which is to provide funding to bona fide public interest intervenors at hearings before certain provincial boards. The Ontario Automobile Insurance Board is not at present one of the boards included within the proposed project. The legislation that provides for the establishment and conduct of this project, Bill 174, received first reading on June 29, 1988. The Board will request that the Attorney General and the Government include this Board within the pilot project, in order that public interest intervenors may have the opportunity to participate fully in hearings before the Board.

Philip Branton, George Dowse

- 8.7 The evidence of Mr. Philip Branton (Transcript, at 251) and Mr. George Dowse (Transcript, at 501), each of whom appeared on his own behalf, outlined problems that they, as individuals, had encountered and for which they sought redress. One problem was common to both

individuals. Upon the non-renewal or lapse of their policies for a period of time, each faced reclassification and a resulting large increase in premium when he sought to reapply for insurance, notwithstanding that there had been no change in his driver record.

- 8.8 The Board recognizes that it must find a mechanism for dealing with the legitimate concerns of individual insureds such as Messrs. Dowse and Branton. Moreover, if the Board is to carry out its mandate under the Act to set rates that are "just and reasonable and not excessive or inadequate" the Board is under a clear duty to ensure that systems are in place to monitor compliance with the Board's decisions. Apart from its own administrative audit and control mechanisms, a most important means of ensuring compliance is to provide the general public with a process whereby their complaints concerning automobile insurance may be addressed. The Board is committed to this proposition and will discuss the creation of such a process with the Superintendent of Insurance.

Phillip Andrews

- 8.9 Mr. Phillip Andrews, an insurance broker, gave evidence

on his own behalf (Transcript, at 522). In his written evidence, he dealt with a matter of concern to both brokers and consumers (Exhibit 9.1):

Since automobile insurance is mandatory in Ontario, all insurance companies should be regulated to accept auto risks from all brokers and agents without contractual obligation to write only the preferred class of risk. Insurers should be regulated to accept all class of risk unless the risk is an obvious Facility candidate.

The Board has noted these comments.

Canadian Vintage Motorcycle Group

8.10 The evidence of Messrs. McNair and Johnson (Transcript, at 531-43) representing the Canadian Vintage Motorcycle Group had particular relevance to the classification plan. Moreover, it highlighted to the Board the very diverse concerns of members of the public. Although few in number, groups having a community of interest such as the Canadian Vintage Motorcycle Group are always in danger, because they are so small, of being overlooked in the greater scheme of things. The Board takes very seriously its obligation to provide an opportunity to such groups to be heard in public in

order that their concerns may receive proper consideration.

Sunrise Co-operative Inc. (Sunrise)

8.11 The evidence of Mr. Dorkin of Sunrise (Transcript, at 454-501), a co-operative of taxi operators, presented the Board with a detailed description of the risk management program currently employed by that organization. The statistics given in evidence indicated a very healthy decrease in claims, and in premiums, following the establishment of the risk management program. It was the position of Sunrise that, because Class Plan 406 does not recognize risk management programs, the Board should prescribe risk management as a class of risk exposure.

8.12 The impact of insurance on the taxi cab industry is a matter of concern to the Board and deserves detailed study. But looking beyond the taxi cab industry, the application of risk management programs to other industries is also important and there may be an overlap of programs in various industries. It is the opinion of the Board that this subject must be studied. Under section 29(1)(j) of the Act, the Lieutenant

Governor in Council may make regulations authorizing the Board, following a hearing, to approve risk management programs for one or more policyholders. No such regulation has yet been made. The Board is of the view that an appropriate regulation should be made under section 29(1)(j) that would permit the Board to approve risk management programs for the taxi industry and other industries in which risk management may have an application. A hearing will be held to address the issue. Evidence should be heard from all interested parties, particularly representatives of the taxi cab industry.

8.13 Sunrise requested that the Board grant to companies insuring taxis an exemption from Part II of the Act. There was insufficient evidence and argument before the Board to permit it to grant such an exemption.

8.14 Other matters raised by Sunrise included the separate consideration, for purposes of classification, of taxis and limousines, and the definition of a taxi operated by identified drivers under section 17(2) of Class Plan 406. These comments were considered by the Board in determining the classification variables and classification rules under the Board Class Plan (Appendices D and E).

Paul Wizman

8.15 In the submission of Mr. Wizman, who represented himself, the strong recommendation was made to the Board that the Board should seek out financial information from insurance companies. Mr. Wizman stressed that such information had to be detailed audited financial information and had to be complete; it should not be sought only with respect to automobile insurance. The Board notes that such action has already been taken by the Board.

Advocacy Resource Centre for the Handicapped (ARCH)

8.16 Through its Executive Director, Mr. David Baker, ARCH made both an oral and a written submission to the Board (Exhibit 3.9). The essence of ARCH's submission may be captured in its four recommendations:

1. A classification system be established for automobile insurance which would prohibit automobile insurers from charging disabled people higher premiums because of their disability.
2. Automobile insurers be prohibited from denying disabled persons automobile insurance because of their disability.
3. Automobile insurers be prohibited from posing questions on application forms, or as part of the application process, which relate to a person's disability.

4. The rates for the Facility Association be identical to those for individual automobile insurers.

8.17 ARCH noted that the MFI consultation draft did not discriminate against disabled persons. It would appear to the Board that section 33(1) of the Act addresses the first issue, in that it specifically prohibits discrimination on the basis of handicap. Mr. Baker expressed some concern about Bill 155 and the proposals to repeal section 33 of the Act and to rely upon an amendment to section 21 of the Human Rights Code, 1981. He was of the view that section 16(1) of the Code could be interpreted as permitting discrimination in the provision of automobile insurance to disabled persons and as providing a defence to insurers. The Board has no jurisdiction with respect to the Code; however, it will bring ARCH's concerns in this respect to the attention of the appropriate Ministries.

8.18 With respect to its second and third recommendations, ARCH suggested that perhaps the Board could utilize section 29(1a)(b) of the Act to prohibit insurers from denying coverage to the disabled and to change the forms to delete reference to a person's disability. The Board is not of the view that section 29(1a)(b) could be used to compel an insurer to insure any

person. Further, at present, the jurisdiction over the form of application remains with the Superintendent of Insurance, a matter that is addressed in Chapter 7 of this Decision. The Board is of the view that Board Staff should consult with the Superintendent of Insurance, the IBC and other Ministries in order to determine how discrimination against the handicapped in obtaining insurance may be eliminated.

8.19 With respect to the fourth recommendation, the Board notes that it has jurisdiction over the rates in respect of contracts of automobile insurance provided under the Plan of Operation established by the Facility Association under the Compulsory Automobile Insurance Act. Rates in respect of such contracts are to be just and reasonable and not excessive or inadequate. This issue is relevant to future proceedings in which the rates of the Facility Association will be determined.

8.20 With respect to policing section 33(1) to ensure that there is no continued discrimination, Mr. Baker was asked whether ARCH could support the collection of data concerning handicap. Mr. Baker was reluctant to support the collection of data as to disability. Consistent with the Board's decision not to require the collection of data for its own use concerning the

variables specified in section 33(1) of the Act (paragraph 7.30), information about handicap will not be sought from insureds.

Conclusions and Recommendations

8.21 It is therefore determined that:

1. The Board will request the Attorney General and the Government to include the Board in the intervenor funding project, Bill 174.
2. The Board will discuss with the Superintendent of Insurance the creation of a process whereby individual members of the public may have their complaints relating to automobile insurance addressed, and whereby compliance with the regulatory decisions of the Board may be monitored.
3. An appropriate regulation should be made under section 29(1)(j) of the Act authorizing the Board to approve risk management programs for the taxi industry and other industries in which risk management may have an application. A hearing of

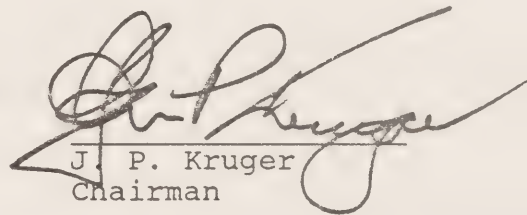
the Board will be held to address the issue.

4. Board Staff will consult with the Superintendent of Insurance, the IBC and other Ministries of the Government in order to determine how discrimination against the handicapped in obtaining insurance can be eliminated.

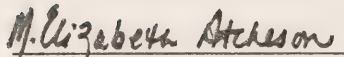
DATED at North York this 30th day of August, 1988.



M. P. Richardson
Vice Chair and
Presiding Member



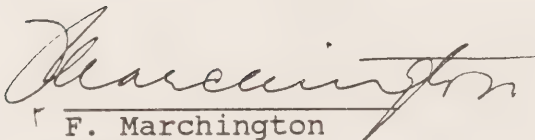
J. P. Kruger
Chairman




M. E. Atcheson
Vice Chair



A. Field
Member



F. Marchington
Member



L. Milne
Member

APPENDIX A

List of Insurers served
with Notice

List of Newspapers in
which Notice published

List of Insurers Served

- 1 -

ABEILLE REASSURANCES
ABSTAINER'S INSURANCE COMPANY
ADRIATIC INSURANCE COMPANY OF CANADA
ADVOCATE GENERAL INSURANCE COMPANY OF CANADA
AETNA CASUALTY AND SURETY COMPANY
AETNA INSURANCE COMPANY
ALBION INSURANCE COMPANY OF CANADA
ALGOMA MUTUAL FIRE INSURANCE COMPANY
ALLIANZ INSURANCE COMPANY
ALLSTATE INSURANCE COMPANY
ALPINA INSURANCE COMPANY LIMITED
AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
AMERICAN HOME ASSURANCE COMPANY
AMERICAN MUTUAL LIABILITY INSURANCE COMPANY
AMERICAN NATIONAL FIRE INSURANCE COMPANY
AMERICAN RE-INSURANCE COMPANY
AMERICAN ROAD INSURANCE COMPANY
ANCIENNE MUTUELLE REASSURANCE
ANGLO CANADA GENERAL INSURANCE COMPANY
AYR FARMERS' MUTUAL FIRE INSURANCE COMPANY
BAY OF QUINTE AGRICULTURAL MUTUAL FIRE INSURANCE COMPANY
BERTIE AND CLINTON MUTUAL FIRE INSURANCE COMPANY
BLANSHARD MUTUAL INSURANCE COMPANY
BRANT MUTUAL FIRE INSURANCE COMPANY
BUFFALO INSURANCE COMPANY
CAA INSURANCE COMPANY (ONTARIO)
CALVERT INSURANCE COMPANY
CANADA ACCIDENT AND FIRE ASSURANCE COMPANY
CANADA LIFE CASUALTY INSURANCE COMPANY
CANADIAN COMMERCE INSURANCE COMPANY
CANADIAN GENERAL INSURANCE COMPANY
CANADIAN GREAT LAKES CASUALTY AND SURETY COMPANY LTD.
CANADIAN HOME ASSURANCE COMPANY
CANADIAN INDEMNITY COMPANY
CANADIAN MILLER'S MUTUAL FIRE INSURANCE COMPANY
CANADIAN PROVINCIAL INSURANCE COMPANY
CANADIAN REINSURANCE COMPANY
CANADIAN SURETY COMPANY
CANADIAN UNIVERSAL INSURANCE COMPANY LIMITED
CASUALTY COMPANY OF CANADA
CAYUGA MUTUAL FIRE INSURANCE COMPANY
CENTENNIAL INSURANCE COMPANY
CENTURY INSURANCE COMPANY OF CANADA
CHATEAU INSURANCE COMPANY
CHRYSLER INSURANCE COMPANY
CHUBB INSURANCE COMPANY OF CANADA
CIGNA INSURANCE COMPANY OF CANADA
CITADEL GENERAL ASSURANCE COMPANY
CO-OPERATORS GENERAL INSURANCE COMPANY
COACHMAN INSURANCE COMPANY
COMMERCE AND INDUSTRY INSURANCE COMPANY OF CANADA
COMMERCE GROUP INSURANCE COMPANY
COMMERCIAL UNION ASSURANCE COMPANY OF CANADA
COMMONWEALTH INSURANCE COMPANY
COMPAGNIE TRANSCONTINENTALE DE REASSURANCE
CONSTITUTION INSURANCE COMPANY OF CANADA
CONTINENTAL CASUALTY COMPANY
CONTINENTAL INSURANCE COMPANY

List of Insurers Served
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CONTINGENCY INSURANCE COMPANY LIMITED
CORNHILL INSURANCE COMPANY OF CANADA
CORONATION INSURANCE COMPANY, LIMITED
CULROSS MUTUAL FIRE INSURANCE COMPANY
CUMIS GENERAL INSURANCE COMPANY
DOMINION INSURANCE CORPORATION
DOMINION OF CANADA GENERAL INSURANCE COMPANY
DUFFERIN MUTUAL INSURANCE COMPANY
DUMFRIES MUTUAL INSURANCE COMPANY
EAGLE STAR INSURANCE COMPANY LIMITED
EAST WILLIAMS MUTUAL FIRE INSURANCE COMPANY
EATON INSURANCE COMPANY
ECCLESIASTICAL INSURANCE OFFICE PUBLIC LIMITED COMPANY
ECONOMICAL MUTUAL INSURANCE COMPANY
ELITE INSURANCE COMPANY
ELMA MUTUAL FIRE INSURANCE COMPANY
EMPLOYERS INSURANCE OF WAUSAU, A MUTUAL COMPANY
EMPLOYERS REINSURANCE CORPORATION
ERIE MUTUAL FIRE INSURANCE COMPANY
FARM MUTUAL REINSURANCE PLAN INC.
FARMERS' MUTUAL FIRE INSURANCE COMPANY (LINDSAY)
FEDERAL INSURANCE COMPANY
FEDERATED INSURANCE COMPANY OF CANADA
FEDERATED MUTUAL INSURANCE COMPANY
FEDERATION INSURANCE COMPANY OF CANADA
FIRE INSURANCE COMPANY OF CANADA
FIREMAN'S FUND INSURANCE COMPANY
FIRST NATIONAL INSURANCE COMPANY OF AMERICA
FOREMOST INSURANCE COMPANY, GRAND RAPIDS, MICHIGAN
FORMOSA MUTUAL INSURANCE COMPANY
FRANKONA RUCKVERSICHERUNGS-AKTIEN-GESELLSCHAFT
GAN INCENDIE ACCIDENTS COMPAGNIE FRANCAISE D'ASSURANCES
GENERAL ACCIDENT ASSURANCE COMPANY OF CANADA
GENERAL INSURANCE COMPANY OF AMERICA
GENERAL REINSURANCE CORPORATION
- GERLING GLOBAL REINSURANCE COMPANY
GERMANIA FARMERS' MUTUAL FIRE INSURANCE COMPANY
GIBRALTAR GENERAL INSURANCE COMPANY
GORE MUTUAL INSURANCE COMPANY
GREAT AMERICAN INSURANCE COMPANY
GREAT LAKES REINSURANCE COMPANY
GRENVILLE PATRON MUTUAL FIRE INSURANCE COMPANY
GREY & BRUCE MUTUAL FIRE INSURANCE COMPANY
GUARANTEE COMPANY OF NORTH AMERICA
GUARDIAN INSURANCE COMPANY OF CANADA
HALIFAX INSURANCE COMPANY
HALWELL MUTUAL FIRE INSURANCE COMPANY
HAMILTON TOWNSHIP FARMERS' MUTUAL FIRE INSURANCE COMPANY
HANNOVER RUCKVERSICHERUNGS-AKTIENGESELLSCHAFT
HANOVER INSURANCE COMPANY
HARTFORD FIRE INSURANCE COMPANY
HARTFORD INSURANCE COMPANY OF CANADA
HAY TOWNSHIP FARMERS' MUTUAL FIRE INSURANCE COMPANY
HERALD INSURANCE COMPANY
HOME INSURANCE COMPANY
- HOSPITAL INSURANCE RECIPROCAL OF ONTARIO
HOWARD MUTUAL FIRE INSURANCE COMPANY
HOWICK MUTUAL INSURANCE COMPANY
INSURANCE COMPANY OF NORTH AMERICA
JEVCO INSURANCE COMPANY

List of Insurers Served

- 3 -

JOHN DEERE INSURANCE COMPANY OF CANADA
KANSAS GENERAL INSURANCE COMPANY
KEMPER REINSURANCE COMPANY
KENT & ESSEX MUTUAL INSURANCE COMPANY
KINGSWAY GENERAL INSURANCE COMPANY
LAMBTON MUTUAL INSURANCE COMPANY
LANARK MUTUAL INSURANCE COMPANY
LAURENTIAN CASUALTY COMPANY OF CANADA
LAURENTIAN GENERAL INSURANCE COMPANY INC.
LAURENTIAN SHIELD INSURANCE COMPANY
LENNOX AND ADDINGTON MUTUAL FIRE INSURANCE COMPANY
LES MUTUELLES DU MANS I.A.R.D.
LIBERTY MUTUAL FIRE INSURANCE COMPANY
LIBERTY MUTUAL INSURANCE COMPANY
LOBO MUTUAL FIRE INSURANCE COMPANY
LONDON AND MIDLAND GENERAL INSURANCE COMPANY
LONDON ASSURANCE
LONDON TOWNSHIP MUTUAL INSURANCE COMPANY
LOYALIST INSURANCE COMPANY
LUMBERMENS MUTUAL CASUALTY COMPANY
MAPLEX GENERAL INSURANCE COMPANY
MARKEL INSURANCE COMPANY OF CANADA
MCGILLIVRAY MUTUAL FIRE INSURANCE COMPANY
MCKILLOP MUTUAL INSURANCE COMPANY
MERCANTILE AND GENERAL REINSURANCE COMPANY OF CANADA
MERCANTILE AND GENERAL REINSURANCE COMPANY PLC
METRO PUBLIC EDUCATION INSURANCE EXCHANGE
METROPOLITAN INSURANCE COMPANY
MISSISSAUGA AND ROYVILLE INSURANCE COMPANY
MONY REINSURANCE CORPORATION
MOTORS INSURANCE CORPORATION
MUNICH REINSURANCE COMPANY OF CANADA
NATIONAL REINSURANCE COMPANY OF CANADA
NATIONWIDE MUTUAL INSURANCE COMPANY
NETHERLANDS REINSURANCE GROUP N.V.
NEW ENGLAND REINSURANCE CORPORATION
NEW HAMPSHIRE INSURANCE COMPANY
NEW INDIA ASSURANCE COMPANY, LIMITED
NEW ROTTERDAM INSURANCE COMPANY
NEW ZEALAND INSURANCE COMPANY LIMITED
NIAGARA FIRE INSURANCE COMPANY
NON-MARINE UNDERWRITERS, THE, MEMBERS OF LLOYD'S, LONDON, ENGLAND
NORFOLK MUTUAL FIRE INSURANCE COMPANY
NORMAN INSURANCE COMPANY LIMITED
NORTH AMERICAN COMPANY FOR PROPERTY AND CASUALTY INSURANCE
NORTH AMERICAN REINSURANCE CORPORATION
NORTH BLENHEIM MUTUAL INSURANCE COMPANY
NORTH KENT MUTUAL FIRE INSURANCE COMPANY
NORTHERN FRONTIER GENERAL INSURANCE COMPANY
NORWICH WINTERTHUR REINSURANCE CORPORATION LIMITED
NOVA SCOTIA GENERAL INSURANCE COMPANY
OLD REPUBLIC INSURANCE COMPANY
ONTARIO GENERAL INSURANCE COMPANY
ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE
ORION INSURANCE COMPANY, LIMITED
OTTER DORCHESTER INSURANCE COMPANY LIMITED
OXFORD MUTUAL INSURANCE COMPANY
PACIFIC EMPLOYERS INSURANCE COMPANY
PAFCO INSURANCE COMPANY LIMITED
PEEL AND MARYBOROUGH MUTUAL FIRE INSURANCE COMPANY

List of Insurers Served

- 4 -

PEEL MUTUAL INSURANCE COMPANY
PERSONAL INSURANCE COMPANY OF CANADA
PHILADELPHIA REINSURANCE CORPORATION
PHOENIX ASSURANCE COMPANY OF CANADA
PHOENIX INSURANCE COMPANY
PILOT INSURANCE COMPANY
POHJOLA INSURANCE COMPANY LTD.
PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY, THE
PRESCOTT MUTUAL FIRE INSURANCE COMPANY
PRESERVATRICE FONCIERE T.I.A.R.D.
PROGRESSIVE CASUALTY INSURANCE COMPANY
PROVIDENCE WASHINGTON INSURANCE COMPANY
PRUDASCO ASSURANCE COMPANY
PRUDENTIAL ASSURANCE COMPANY LIMITED (OF ENGLAND)
PRUDENTIAL ASSURANCE COMPANY OF ENGLAND PROPERTY AND CASUALTY
PRUDENTIAL OF AMERICA GENERAL INSURANCE COMPANY (CANADA)
PRUDENTIAL REINSURANCE COMPANY
QUEBEC ASSURANCE COMPANY
REINSURANCE CORPORATION OF NEW YORK
RELANCE INSURANCE COMPANY
ROYAL INSURANCE COMPANY OF CANADA
ROYAL REINSURANCE COMPANY LIMITED
SAFECO INSURANCE COMPANY OF AMERICA
SCOR REINSURANCE COMPANY OF CANADA
SCOTTISH AND YORK INSURANCE CO. LIMITED
SECURITY INSURANCE COMPANY OF HARTFORD
SECURITY NATIONAL INSURANCE COMPANY
SENTRY INSURANCE, A MUTUAL COMPANY
SIMCOE & ERIE GENERAL INSURANCE COMPANY
SKANDIA CANADA REINSURANCE COMPANY
SKANDIA INSURANCE COMPANY
SOCIETE ANONYME FRANCAISE DE REASSURANCES
SOCIETE COMMERCIALE DE REASSURANCE
SOUTH EASTHOPE FARMERS' MUTUAL FIRE INSURANCE COMPANY
SOVEREIGN GENERAL INSURANCE COMPANY
SPHERE REINSURANCE COMPANY OF CANADA
ST. PAUL FIRE AND MARINE INSURANCE COMPANY
STANSTEAD & SHERBROOKE INSURANCE COMPANY
STATE FARM FIRE AND CASUALTY COMPANY
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY
STOREBRAND REINSURANCE COMPANY LTD.
SUN ALLIANCE INSURANCE COMPANY
SWISS REINSURANCE COMPANY
SYMONS GENERAL INSURANCE COMPANY
THE NIPPON FIRE & MARINE INSURANCE COMPANY, LIMITED
TOKIO MARINE AND FIRE INSURANCE COMPANY LIMITED
TORONTO GENERAL INSURANCE COMPANY
TOWNSENO FARMERS' MUTUAL FIRE INSURANCE COMPANY
TRADERS GENERAL INSURANCE COMPANY
TRAFALGAR INSURANCE COMPANY OF CANADA
TRANSAMERICA INSURANCE COMPANY
TRANSATLANTIC REINSURANCE COMPANY
TRANSIT INSURANCE COMPANY
TRANSPORT INSURANCE COMPANY
TRAVELERS INDEMNITY COMPANY OF CANADA
TRUCK INSURANCE EXCHANGE
UNIFUND ASSURANCE COMPANY
UNIGARD SECURITY INSURANCE COMPANY
UNION REINSURANCE COMPANY
UNIONE ITALIANA DI RASSICURAZIONE S.P.A.

List of Insurers Served

- 5 -

UNITED PROVINCES INSURANCE COMPANY
UNITED STATES FIDELITY AND GUARANTY COMPANY
UNITED STATES FIRE INSURANCE COMPANY
UNITY FIRE AND GENERAL INSURANCE COMPANY
UPPER CANADA INSURANCE COMPANY
USF&G INSURANCE COMPANY OF CANADA
UTICA MUTUAL INSURANCE COMPANY
VICTORIA INSURANCE COMPANY OF CANADA
VICTORY REINSURANCE COMPANY LIMITED
WABISA MUTUAL FIRE INSURANCE COMPANY
WATERLOO INSURANCE COMPANY
WAWANESA MUTUAL INSURANCE COMPANY
WELLINGTON INSURANCE COMPANY
WEST ELGIN MUTUAL FIRE INSURANCE COMPANY
WEST WAWANOSH MUTUAL INSURANCE COMPANY, THE
WESTERN ASSURANCE COMPANY
WESTERN GENERAL MUTUAL INSURANCE COMPANY
WESTMINSTER MUTUAL FIRE INSURANCE COMPANY
YARMOUTH MUTUAL FIRE INSURANCE COMPANY
YASUDA FIRE AND MARINE INSURANCE COMPANY, LIMITED
YORK FIRE & CASUALTY INSURANCE COMPANY
ZURICH INSURANCE COMPANY

LIST OF NEWSPAPERS IN WHICH NOTICE PUBLISHED

The Hamilton Spectator
The St. Catharines Standard
The Sudbury Star
Le Droit
The Ottawa Citizen
Time-News/Chronicle-Journal
The Globe and Mail
The Toronto Star
The Toronto Sun
The Windsor Star
The London Free Press
Nugget - North Bay
Star - Sault Ste. Marie
Timmins Daily Press
Winnipeg Free Press
The Kingston Whig-Standard

APPENDIX B

Notice - Industry-Wide Hearing

Procedural Order - 1

Procedural Order - 2

Office of the
Chairman
Bureau du
Président



Ontario
Automobile
Insurance
Board

Commission de
L'Assurance-
Automobile
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File No: I-88-1A,B,C,D

NOTICE
INDUSTRY-WIDE HEARING

THE ONTARIO AUTOMOBILE INSURANCE BOARD (the "Board"), on its own motion, will hold an Industry-Wide Hearing pursuant to section 20 of the Ontario Automobile Insurance Board Act, 1988, R.S.O. 1988, c.18. The Board is holding a hearing to set a rate or range of rates with respect to each class of risk exposure prescribed by Ontario Regulation 406/88 (the "classification system").

The Industry-Wide Hearing has been separated into four parts:

1. The hearing on the classification system and data availability to be used to set industry-wide rates and rate ranges effective January 1, 1989 will commence on Wednesday, August 10, 1988 at 9 o'clock a.m. at 2300 Yonge Street, 25th Floor, Toronto, under Board File No. I-88-1A.
2. The hearing on rate-making methodology will commence on Monday, August 22, 1988 at 9 o'clock a.m. at North York Memorial Community Hall, 5110 Yonge Street, North York, under Board File No. I-88-1B.
3. The hearing on profitability standards will commence on Monday, August 22, 1988 at 9 o'clock a.m. at North York Memorial Community Hall, 5110 Yonge Street, North York, under Board File No. I-88-1C.
4. The hearing on the proposed rates or range of rates, effective January 1, 1989, will commence following the conclusions of the hearings and the issuing of the decisions on the above three parts, at a time and date to be appointed by the Board, under Board File No. I-88-1D.

A PRE-HEARING CONFERENCE will be held on Wednesday, July 27, 1988, at 9:00 a.m., in the Ontario Room, Macdonald Block, Queen's Park, Toronto to deal with preliminary matters, including, but not limited to the following:

- o written evidence to be pre-filed
- o the interrogatory process
- o the hearing process
- o issues

IF YOU WISH TO PARTICIPATE AS A PARTY IN ANY PART OF THE HEARING, you (or your lawyer or agent) must file with the Board a written notice of your intention to participate as a party with the Board on or before MONDAY, JULY 25, 1988. A person who files such a notice intends to fully participate in the hearing.

INSTEAD OF PARTICIPATING AS A PARTY IN THE HEARING, you may comment on any of the issues as a LIMITED INTERVENOR by filing a letter of comment with the Board. A letter of comment should clearly state your views, set the grounds and the factual basis for your position, and indicate whether you intend to make an oral presentation to the Board. Letters of comment should be filed at the Board Office before the commencement of the hearing in which you are interested.

PROCEDURAL ORDERS as to how the matter will proceed may be issued from time to time. Copies of any procedural orders will be sent to all persons filing a notice of intention to participate. The Board has issued Procedural Order - 1 on July 6, 1988.

Manuals describing the practice, procedures and rules to be used by the Board are available free of charge from the Board Office and may be picked up during office hours Monday to Friday, 8:30 a.m. to 4:45 p.m. You may also examine all documents filed in these proceedings during office hours.

IF YOU DO NOT BECOME A PARTY TO THE HEARING OR INDICATE THAT YOU WISH TO MAKE AN ORAL PRESENTATION TO THE BOARD, THE BOARD MAY PROCEED IN YOUR ABSENCE AND YOU WILL NOT BE ENTITLED TO ANY FURTHER NOTICE OF THESE PROCEEDINGS.

DATED AT TORONTO THIS 6th DAY OF JULY, 1988.

S. Coroyannakis

ONTARIO AUTOMOBILE
INSURANCE BOARD
543 Yonge Street
2nd Floor
Toronto, Ontario
M7A 2H6
Phone No. (416) 963-3460
Fax No. (416) 965-8942
Collect telephone calls
accepted.

Attn: Sophia Coroyannakis
Board Secretary



Ontario
Automobile
Insurance
Board

Commission de
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File Nos. I-88-1A,B,C,D

IN THE MATTER OF the Ontario Automobile
Insurance Board Act, 1988, S.O. 1988, c.18;

AND IN THE MATTER OF an industry-wide hearing
by the Ontario Automobile Insurance Board
pursuant to Section 20 of the said Act.

BEFORE: John P. Kruger, Chairman)
Mary Elizabeth Atcheson, Vice-Chair)
M. Patricia Richardson, Vice-Chair)
Samuel Eckler, Member)
Alvin Field, Member) July 5, 1988
Frank Marchington, Member)
Laurel I. Martin, Member)
Lorna Ann Milne, Member)
Bhagwant N. Persaud, Member)
Gilles Racicot, Member)

Procedural Order - 1

UPON the Ontario Automobile Insurance Board (the "Board")
having issued a Notice dated July 6, 1988 calling, on its own
motion, an Industry-Wide Hearing;

AND WHEREAS the Board has separated the Industry-Wide
Hearing into four parts:

- o the classification system and data availability
(File No. I-88-1A)
- o rate-making methodology (File No. I-88-1B)
- o profitability standards (File No. I-88-1C)
- o the proposed rates or ranges of rates effective
January 1, 1989 (File No. I-88-1D);

AND WHEREAS the Notice sets out the times and places for the four hearings to be held within the Industry-Wide Hearing;

AND WHEREAS the Board is of the opinion that it is necessary at this time to make procedural provisions for the Industry-Wide Hearing;

IT IS ORDERED THAT:

Pre-filing

1. A list of parties will be prepared by the Board Secretary and provided on or before Tuesday, July 26, 1988 to those persons who have indicated their intention to participate as parties (in accordance with the Notice) in all or part of the proceeding (the "Parties").
2. (a) The following will be provided to Parties (as they become known):
 - (i) General Procedures Manual
 - (ii) Draft Rules of Practice and Procedure for Hearings commencing August 1988.
- (b) The following material will be provided to Parties (as they become known) upon request:
 - (i) DMR/Mercer Report, Recommendations and Issues concerning Data Capture, Data Quality, Database and Systems Requirements for the proposed Class Plan and Rate-making method
 - (ii) Ontario Regulation 406/88 made under the Ontario Automobile Insurance Board Act, 1988-Classification System
 - (iii) Mercer Study, Rate-making Methodologies Ontario Automobile Insurance
 - (iv) Testimony of Basil A. Kalymon/Coopers & Lybrand on the Financial Structure, Cost of Capital and Underwriting Margins of the Ontario Automobile Insurance Industry
 - (v) Update on DMR/Mercer Report
 - (vi) Update on Mercer Study

- (vii) Other material which is appropriate to be considered at the hearings.

Pre-Hearing Conference

3. A preliminary issues list, to be discussed at the Pre-hearing Conference on July 27, 1988, will be provided to all Parties on or before July 26, 1988.

Hearing - File No. I-88-1A

4. (a) Subject to paragraph 5, Parties who wish to submit written evidence on the classification system and data availability shall do so by filing it with the Board on or before Wednesday, August 3, 1988.
- (b) The written evidence filed under paragraph 4(a) may include comments on the DMR/Mercer Report.
5. (a) Comments submitted in response to A Classification System for Automobile Insurance: A Draft for consultation, dated February 1988 (the "Consultation Draft") will be accepted as evidence at the hearing.
- (b) Parties who submitted comments on the Consultation Draft and who wish to adopt those comments as their evidence may do so by filing with the Board a notice to that effect, in addition to any other written evidence they wish to file.

Hearing - File No. I-88-1B

6. (a) Parties who wish to ask interrogatories on the Mercer Study (rate-making methodology) shall do so by written interrogatories filed with the Board on or before Tuesday, August 2, 1988.
- (b) Responses to said interrogatories shall be provided on or before Tuesday, August 9, 1988.
7. Parties who wish to submit written evidence on rate-making methodology shall do so by filing it with the Board and providing a copy to Parties, who requested the written evidence, on or before Friday, August 5, 1988.

8. (a) Board Counsel and Parties who wish to ask interrogatories on the written evidence filed under paragraph 7 shall do so by written interrogatories filed with the Board and provided to the relevant party on or before Friday, August 12, 1988.
- (b) Responses to said interrogatories should be filed with the Board and provided to all Parties who requested the written evidence on or before Friday, August 19, 1988.

Hearing - File No. I-88-1C

9. (a) Parties who wish to ask interrogatories on the Kalymon/Coopers & Lybrand testimony (profitability standards) shall do so by written interrogatories filed with the Board on or before Tuesday, August 2, 1988.
 - (b) Responses to said interrogatories shall be filed with the Board and provided to all Parties, who requested the written evidence, on or before Tuesday, August 9, 1988.
10. Parties who wish to submit written evidence on profitability standards shall do so by filing it with the Board and delivering a copy to Parties, who requested the written evidence, on or before Friday, August 5, 1988.
11. (a) Board Counsel and Parties who wish to ask interrogatories on the written evidence filed under paragraph 10 shall do so by written interrogatories filed with the Board and provided to the relevant party on or before Friday, August 12, 1988.
 - (b) Responses to said interrogatories shall be filed with the Board and provided to all Parties, who requested the written evidence, on or before Friday, August 19, 1988.

Hearing - File No. I-88-1D

12. A procedural order will issue dealing with this hearing.

Limited Intervenors

13. (a) Limited Intervenors shall submit their letters of comment before the commencement of the relevant hearing.
- (b) A Limited Intervenor who wishes to make an oral presentation to the Board shall indicate that intention in the letter of comment.

Costs - S. 16 of the Act

14. The issue of costs is to be addressed in the Industry-Wide Hearing and submissions on costs will be requested.

ISSUED AT TORONTO this 6th day of July, 1988.

S. Coroyannakis

Sophia Coroyannakis
Board Secretary

Ontario Automobile Insurance Board
543 Yonge Street, 2nd Floor
Toronto, Ontario
M7A 2H6
Phone No. (416) 963-3460
Fax No. (416) 965-8942

Collect telephone calls accepted

IN THE MATTER OF the Ontario Automobile Insurance Board Act, 1988, S.O. 1988, c.18;

AND IN THE MATTER OF an industry-wide hearing by the Ontario Automobile Insurance Board pursuant to Section 20 of the said Act.

BEFORE:	John P. Kruger, Chairman)	
	Mary Elizabeth Atcheson, Vice-Chair)	
	M. Patricia Richardson, Vice-Chair)	
	Alvin Field, Member)	July 27, 1988
	Frank Marchington, Member)	
	Lorna Ann Milne, Member)	
	Bhagwant N. Persaud, Member)	
	Gilles Racicot, Member)	

Procedural Order - 2

UPON the Ontario Automobile Insurance Board (the "Board") having issued a Notice dated July 6, 1988 calling, on its own motion, an Industry-Wide Hearing;

AND WHEREAS the Board has separated the Industry-Wide Hearing into four parts:

- o the classification system and data availability (File No. I-88-1A)
- o rate-making methodology (File No. I-88-1B)
- o profitability standards (File No. I-88-1C)
- o the proposed rates or ranges of rates effective January 1, 1989 (File No. I-88-1D);

AND WHEREAS the Notice sets out the times and places for the four hearings to be held within the Industry-Wide Hearing;

AND WHEREAS the Notice sets out the times and places for the four hearings to be held within the Industry-Wide Hearing;

AND WHEREAS the Board issued Procedural Order - 1 dated July 6, 1988, which set out certain procedures for the Industry-Wide Hearing;

AND UPON the Board having held the Pre-Hearing Conference on July 27, 1988 in which, amongst other matters, issues were discussed;

AND WHEREAS the Board is of the opinion that it would be expedient to develop a list of issues to provide direction to the parties;

IT IS ORDERED THAT:

1. The list of issues, attached as Schedule "A" to this Order, are the issues which parties should address in the hearing under File I-88-1A in the Industry-Wide Hearing.
2. If a party wishes to add a further issue, the party should make a motion to the Board further to Rule 8 of the Draft Rules of Practice and Procedure for Hearings commencing August 1988.

ISSUED AT TORONTO this 28th day of July, 1988.

S. Coroyannakis

Sophia Coroyannakis
Board Secretary

Ontario Automobile Insurance Board
543 Yonge Street, 2nd Floor
Toronto, Ontario
M7A 2H6
Phone No. (416) 963-3460
Fax No. (416) 965-8942

Schedule "A"
to Procedural Order-2
dated July 28, 1988
Under File No. I-88-1A

S. Coroyannakis
S. Coroyannakis
Board Secretary

ISSUES LIST

CLASSIFICATION SYSTEM and DATA AVAILABILITY

FILE NO. I-88-1A

Issue 1: CAN THE CLASS PLAN PRESCRIBED BY ONT. REG. 406/88
(CLASS PLAN 406) BE IMPLEMENTED BY JANUARY 1, 1989?

- (a) Are the data necessary to establish rates under Class Plan 406 readily available and accessible to the Board?
- (b) Are the data of sufficient validity to be relied upon by the Board to establish rates?
- (c) To what extent is information captured by the Ministry of Transportation of Ontario (MTO) readily available and accessible, and sufficiently complete to serve as an immediate source of data validation?
- (d) Are there alternative sources to the Insurance Bureau of Canada (IBC) or Insurance Advisory Organization (IAO) that could readily provide the information needed for the initial rate-making under Class Plan 406? Is such information reliable?
- (e) Can insurers accommodate Class Plan 406 by January 1, 1989?
- (f) What transitional problems, if any, will occur in implementing Class Plan 406?

Issue 2: SHOULD THE CLASS PLAN PRESCRIBED BY ONT. REG. 406/88
(CLASS PLAN 406) BE ADOPTED?

- (a) Does Class Plan 406 achieve the standards for a good class plan, i.e. fairness, equity, control, actuarial soundness, etc.?
- (b) Is Class Plan 406 too detailed for application in classification rate-making?
- (c) Are there reasonable alternatives to Class Plan 406? What are the similarities and differences with the class plans of other jurisdictions?
- (d) What market disruptions, if any, would be caused by implementation of Class Plan 406?
- (e) What are the costs and benefits of Class Plan 406?
- (f) What are the inconsistencies, if any, within Class Plan 406, and how should they be resolved?
- (g) Does Class Plan 406 achieve the objectives of the Ontario Automobile Insurance Act?

Issue 3: SHOULD THE BOARD ADOPT AN INTERIM CLASS PLAN FOR INTRODUCTION ON JANUARY 1, 1989?

- (a) What aspects of the class plan prescribed by Ont. Reg. 406/88 (Class Plan 406) can be implemented by January 1, 1989?
- (b) Should the Board adopt an interim class plan for introduction on January 1, 1989?
- (c) If the Board were to adopt an interim class plan, what should be included in such an interim class plan?
- (d) What alternatives exist to the adoption of an interim class plan?
- (e) Are the data necessary to establish rates under an interim class plan available or can it be gathered?

Issue 4: HOW WILL THE BOARD OBTAIN STATISTICS FOR USE IN THE
SETTING OF AUTOMOBILE INSURANCE RATES?

- (a) Should the Board appoint a statistical agent? If so, whom, and upon what terms and conditions should the appointment be made?
- (b) Should the Board not appoint a statistical agent, what alternatives are available?

Issue 3: SHOULD THE BOARD ADOPT AN INTERIM CLASS PLAN FOR
INTRODUCTION ON JANUARY 1, 1989?

- (a) What aspects of the class plan prescribed by Ont. Reg. 406/88 (Class Plan 406) can be implemented by January 1, 1989?
- (b) Should the Board adopt an interim class plan for introduction on January 1, 1989?
- (c) If the Board were to adopt an interim class plan, what should be included in such an interim class plan?
- (d) What alternatives exist to the adoption of an interim class plan?
- (e) Are the data necessary to establish rates under an interim class plan available or can it be gathered?

Issue 5: SHOULD DATA BE CAPTURED ON AGE, SEX, MARITAL STATUS, FAMILY STATUS AND HANDICAP STATUS?

- (a) Should the Board monitor company compliance with Section 33(1) of the OAIB Act? Section 33(1) reads as follows:

No insurer shall differentiate or make a distinction, exclusion or preference in a contract of automobile insurance on the basis of age, sex, marital status, family status or handicap.

- (b) How can the Board monitor compliance without capturing this information?

Issue 6: WHAT MEASURES, IF ANY, NEED TO BE TAKEN TO PROVIDE
EFFECTIVE PUBLIC INFORMATION ON THE WAY IN WHICH
AUTOMOBILE INSURANCE RATES WILL BE SET?

Issue 7: SECTION 16 OF THE ACT GIVES THE BOARD THE DISCRETION TO
MAKE ORDERS ON COSTS.

(a) Costs to Parties

- (i) On what basis should costs be awarded to parties?
- (ii) In what proceedings should costs be awarded/not awarded to parties?
- (iii) What criteria to establish eligibility of a party to receive costs should the Board use as a guideline?
- (iv) What kinds of expenses should be included in a cost award?
- (v) Who should pay these costs?
- (vi) What procedure should be used; namely,
 - A) Eligibility
 - who determines eligibility?
 - when is it determined?
 - B) Quantum
 - who determines quantum?
 - when is it determined?
 - how is it determined?

(b) Costs of the Board

- (i) Industry-wide hearing:
Who should pay the costs of the Board?
- (ii) Company-specific hearing:
Who should pay the costs of the Board?
- (iii) Reference from Lieutenant Governor in Council:
Who should pay the costs of the Board?
- (iv) What should be included in the costs of the Board?

Issue 8: WHAT ARE THE IMPLICATIONS OF THE CLASSIFICATION
 SYSTEM ON HIGHWAY SAFETY?

(a) Can the classification system be used to promote safety, in
 particular with respect to motorcyclists?

APPENDIX C

List of the Parties who appeared

List of Limited Intervenors

List of Witnesses

<u>Party</u>	<u>Representative</u>	<u>Witness</u>
Andrews, Clark & Associates Inc. (Andrews)	P.Andrews	P.Andrews
Canada Life Casualty Insurance Company (Canada Life)	W.Acton President & Chief Operating Officer	
Canadian Vintage Motorcycle Group	A.Johnson	E.McNair A.Johnson
Consumers' Association of Canada (Ontario) (CAC)	C.Baggaley	C.Baggaley CAC staff
Insurance Brokers Association of Ontario (IBAO)	D.Dorsch	T.Taylor Assistant General Manager
Insurance Bureau of Canada (IBC), The Association of Canadian Insurers (ACI), The Ontario Mutual Insurance Association, Insurers' Advisory Organization Inc. (IAO), Facility Association, Certain Independent Non-Aligned Insurers	J.Howard, Q.C. J.Galway	R.Monte Vice President of Insurance Operations, IBC S.Chan Manager of Actuarial and Quality Control Service, IBC B.Yit Manager of Actuarial Department, IAO E.Belton Vice Chairman, Pafco Insurance Company (Pafco) G.Zwaal Vice President, Administration, Allstate Insurance Companies of Canada (Allstate) J.Schlote Vice President of Marketing and Sales, Real Time, a Division of Memotec Data Inc. (Real Time) W.Keating Vice President and General Manager, Policy Management Systems Canada Limited (PMS) W.Pitkin Vice President, Systems, Real Time in Toronto I.Doxsee Canadian Development Manager, PMS

<u>Party</u>	<u>Representative</u>	<u>Witness</u>
Kingsway General Insurance Company (Kingsway)	W.Star	W.Star President and General Manager
Pafco Insurance Company	E.Belton	E.Belton Vice Chairman
Progressive Casualty Corporation (Progressive)	A.Rogacki W.Conner	A.Rogacki Chief Agent
SAFECO Insurance Companies (SAFECO)	J.McArthur A.Hanks	J.McArthur Resident Vice President Canada A.Hanks Regional Manager, Personal Lines Canada
State Farm Insurance Companies (State Farm)	H.Brown M.Taylor	S.Lehmann Senior Actuary F.Fraser Vice President Canada
Sunrise Co-operative Inc. (Sunrise)	J.Davies D.Horchik	L.Dorkin President
P.Wizman		P.Wizman
Wray Baird MacGregor Insurance Brokers Limited	P.Comerford	P.Comerford Vice President

Board Counsel

S. Goudge
C. Cottle

Witness

I. Bass
Principal, William M.
Mercer Limited (Mercer)

A. Lamb
Consulting Manager, Toronto
Financial Services Office
DMR Group Inc. (DMR)

R. Mackie
Manager, Licensing
Administration Office
Ministry of Transportation
Ontario (MTO)

E. Wells
Deputy Superintendent of
Insurance, Ontario

T. Zubulake
Principal, Mercer

<u>LIMITED INTERVENOR</u>	<u>WRITTEN SUBMISSION</u>	<u>ORAL SUBMISSION</u>
Allstate Insurance Company of Canada (Allstate)	Yes	No
Advocacy Resource Centre for the Handicapped (ARCH)	Yes	Yes J.D.Baker Executive Director
P. R. Branton	Yes	Appeared on his own behalf
R. L. Brown	Yes	No
Canadian Surety	Yes	No
G. Dowse	Yes	Appeared on his own behalf
Federated Insurance	Yes	No
Humewood Senior Citizens	Yes	No
Robert Lachapelle Insurance Brokers	Yes	No
Ontario Safety League	Yes	No
A. L. Smoke	Yes	No
Harold Snider	Yes	No

APPENDIX D

Board Class Plan

Board Class Plan -
Classes of Risk Exposure By Category

The classes of risk exposure as set forth in this Appendix and to become effective June 1, 1989, are an amalgam of the classification variables and values:

- . found in O. Reg. 406/88;
- . currently in use by the industry as represented by the "Mercer Composite Classes"; and
- . put forth by Mercer as possible alternatives to O. Reg. 406/88 and the Mercer Composite Classes.

The prescribed classes have been arrived at on the basis of judgement in light of the evidence presented to the Board.

The Board Class Plan is presented by category of insurance. For each such category, the classification options: "O. Reg. 406/88," "Mercer Composite Classes," and "Mercer Option" are presented in detail along with the Board's decision and its reasons. Where appropriate, further comments are provided by the Board.

Significant Differences from O. Reg. 406/88

Private Passenger Automobiles:

- . An additional Annual Driving Distance class has been created: 32,000 km or over.
- . The Metropolitan Toronto Territory has been subdivided into five territories.
- . The reflection of driver training has been extended through six years of Driving Experience.
- . The three over six years of Driving Experience classes have been collapsed into one class.
- . The Vehicle Claim History experience period has been increased from five to six years.

- . The Number of Consecutive Years of Claim-Free Vehicle Operation has been added as a class of risk exposure.

Motorcycles:

- . The Annual Driving Distance classes have been adjusted to reflect the seasonal usage of motorcycles.
- . Model Year has been incorporated into the Class Plan to better accommodate risks classified as "limited use."
- . Driving Experience classes for both the principal and secondary drivers are the same as those for private passenger automobiles.
- . The Vehicle Claim History experience period has been increased to six years.
- . Make and Model of motorcycle have been introduced as classification variables.
- . The Engine Displacement value ranges have been modestly refined.

Trailers & Camper Units:

- . The Vehicle Type classes have been expanded.

Off-Road Vehicles:

- . Vehicle Type has been introduced as a class of risk exposure.
- . The Engine Displacement value ranges have been refined.

- . Driving Experience, Vehicle Claim History, and Conviction History have been added as classes of risk exposure.

Snow Vehicles:

- . The Engine Displacement value table has been refined.
- . Driving Experience, Vehicle Claim History, and Conviction History have been added as classes of risk exposure.

Historic Vehicles:

- . Provision has been made to distinguish motorcycles from private passenger automobiles.
- . Driving Experience, Vehicle Claim History, and Conviction History have been added as classes of risk exposure.

Commercial Vehicles Other Than Trailers:

- . The number of Vehicle Weight ranges has been increased.
- . The number of Radius of Operation ranges has been increased.
- . Driving Experience classes for identified drivers have been changed to match those for private passenger automobiles.
- . The Vehicle Claim History experience period for risks with identified drivers has been increased to six years.

- . The number of Consecutive Years of Claim-Free Vehicle Operation has been introduced as a class of risk exposure.

Commercial Trailers:

- . Driving Experience and Conviction History have been introduced as classification variables.

Public Vehicles Other Than Taxis & Limousines:

- . The number of Radius of Operation ranges has been increased.
- . The number of Consecutive Years of Claim-Free Vehicle Operation has been introduced as a class of risk exposure.
- . The Number of Passenger Seats class of risk exposure has been refined.
- . Territory has been introduced as a class of risk exposure for all vehicles within this class.

Taxis & Limousines:

- . Number of Drivers has been introduced as a class of risk exposure.
- . Type of "Ownership" has been introduced as a class of risk exposure.
- . The Vehicle Claim History experience period has been increased to six years for driver identified taxis.
- . The Number of Consecutive Years of Claim-Free Vehicle Operation has been introduced as a class of risk exposure.

- . The Driving Experience classes for taxis with identified drivers have been modified to match those for private passenger automobiles.

In addition, subject to consideration by the Technical Committee, model year and vehicle value ranges for all vehicle types have been refined.

The Board has also decided to raise the value limit for personal vehicles subject to Part II of the Act from \$75,000 to \$100,000.

Open Issues

The Appendix also identifies aspects of the Board Class Plan that have been directed to the Technical Committee for further study. Of particular note is the classification of vehicles into "rating groups." As this matter touches upon both classification and rate making and as, in the opinion of the Board, sufficient evidence was not presented regarding the submission of the Vehicle Code Service and the concept of model year rating, the Board reserves final judgement on this and other noted matters until recommendations from the Technical Committee are heard.

Category of Insurance: Personal Vehicles - Private Passenger
Automobile
Class of Risk Exposure: Annual Driving Distance

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
0 - 15,999 km 16,000 or over	0 - 10,000 km 10,001 - 12,000 12,001 - 16,000 16,001 - 19,200 19,201 - 20,000 20,001 - 30,000 30,001 - 40,000 40,001 - 50,000 50,001 - 60,000 60,001 - 70,000 70,001 - 80,000 80,001 - 90,000 90,001 or over	0 - 16,000 km 16,001 - 32,000 32,000 or over

Board Decision

0 - 16,000 km
16,001 - 32,000
32,001 or over

Reasons

1. There is considerable history linking annual driving distance to claim experience.
2. Annual driving distance is widely used today by insurance companies in Ontario; however, there is no consensus regarding the optimal ranges for classification.
3. There is general agreement that those who drive considerably below average and those who drive considerably above average exhibit differentiable claim experience.
4. Only one of the companies surveyed by Mercer utilizes a large number of annual driving distance classes.
5. A small number of annual driving distance classes will be easier for consumers to understand.

Category of Insurance: Personal Vehicles - Private Passenger
Automobile
Class of Risk Exposure: Vehicle Use

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
Pleasure	Pleasure	Pleasure
Commute	Commute	Commute
Business	0 - 5.0 km	0 - 16.0 km
Farm	5.1 - 16.0	16.0 & over
	16.0 - 24.0	Business
	24.1 - 32.0	Farm
	32.1 & over	
	Business	
	Farm	

Board Decision

Pleasure
Commute
Business
Farm

Reasons

1. There is a demonstrated statistical relationship between nature of vehicle use and claim experience.
2. Vehicle use is widely used today by insurance companies in Ontario, although there is no consensus on the appropriateness of commuting distance, nor of the optimal ranges of commuting distance by those companies that use it.
3. Commuting distance is difficult to verify and would require close monitoring and frequent updating.
4. To some extent, commuting distance measures the same risk exposure as annual driving distance.

Category of Insurance: Personal Vehicles - Private Passenger
Automobile
Class of Risk Exposure: Territory

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
Twenty-eight territory classifications, essentially the same as those presently identified in the IAO statistical plan. Refer to Attachment #1.	Fifty-eight territory classifications. Refer to Attachment #2.	Same as Mercer Composite. Refer to Attachment #2.

Board Decision

The Municipality of Metropolitan Toronto will be divided into five territory classifications in accordance with the definitions under the Mercer Option. The balance of Ontario will be divided into twenty-seven territory classifications in accordance with the definitions under O.Reg. 406/88 (IAO). Refer to Attachment #3.

Reasons

1. There is considerable evidence showing a correlation between territory and claim experience. Territory classifications are used for rating policy holders by all insurance companies in Ontario.
2. The O. Reg. 406/88 territory classifications are essentially the same as those utilized by the IAO. The IAO territory definitions serve as the basis for the territory definitions used by many companies today. Generally, companies either classify their policy holders in accordance with the IAO territory definitions, or do so in accordance with some manner of subdivision of certain IAO territories. Under O. Reg. 406/88, all such subdivisions of IAO territories would be prohibited, and their elimination may result in some degree of premium, and hence, market dislocation. The territory for which the potential dislocation is of most concern is Metropolitan Toronto.

3. The Mercer composite territory classification definitions would provide more pricing flexibility for companies, but would require greater conversion and maintenance costs and may not be understandable to consumers.

Category of Insurance: Personal Vehicles - Private Passenger
Automobile

Class of Risk Exposure: Driving Experience (Number of Years
Licensed) - Principal Driver

Classification Options

O. Reg. 406/88

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years
- . More than 6 years up to and including 14 years
- . More than 14 years up to and including 34 years
- . More than 34 years

Mercer Composite Classes

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 2 years without driver training
- . At least 1 year up to and including 2 years with driver training
- . More than 2 years up to and including 3 years without driver training
- . More than 2 years up to and including 3 years with driver training
- . More than 3 years up to and including 4 years without driver training
- . More than 3 years up to and including 4 years with driver training
- . More than 4 years up to and including 5 years without driver training
- . More than 4 years up to and including 5 years with driver training
- . More than 5 years up to and including 6 years without driver training
- . More than 5 years up to and including 6 years with driver training
- . More than 6 years up to and including 14 years
- . More than 14 years up to and including 34 years
- . More than 34 years

Mercer Option

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years
- . More than 6 years

Board Decision

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years without driver training
- . More than 3 years up to and including 6 years with driver training
- . More than 6 years

Reasons

1. It has long been recognized that individuals with little driving experience are involved in more accidents than more experienced drivers.
2. There is general belief that driver training has a salutary effect on the claim experience of recently licensed drivers.
3. There is general agreement among insurance companies that driving experience continues to influence accident records for the first three to six years of driving, but there is no consensus on the continued relevance of driving experience, and driver training, beyond the first six years.
4. It is questionable that 34 or more years of driving experience represents a discernable difference in risk exposure. Drivers over 50 years of age, as a group, tend to have better claim experience primarily because of changes in other classes of risk exposure such as annual driving distance and vehicle use.

5. A "more than 34 years" category can be viewed as a surrogate for age.
6. As a class of risk exposure, the number of years licensed can be viewed as a surrogate for age. However, information presented by MTO on licenses issued in 1987 indicates that a significant number of newly licensed drivers are over the age of twenty.

Comments

1. The Board recognizes that information is not available from the Ministry of Transportation to verify the number of years licensed for all drivers.

Category of Insurance: Personal Vehicles - Private Passenger Automobile
 Class of Risk Exposure: Driving Experience (Number of Years Licensed) - Secondary Driver

Classification Options

O. Reg. 406/88

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years
- . More than 6 years

Mercer Composite Classes

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 2 years without driver training
- . At least 1 year up to and including 2 years with driver training
- . More than 2 years up to and including 3 years without driver training
- . More than 2 years up to and including 3 years with driver training
- . More than 3 years up to and including 4 years without driver training
- . More than 3 years up to and including 4 years with driver training
- . More than 4 years up to and including 5 years without driver training
- . More than 4 years up to and including 5 years with driver training
- . More than 5 years up to and including 6 years without driver training
- . More than 5 years up to and including 6 years with driver training
- . More than 6 years

Mercer Option

- . Under 1 year without driver training
- . Under 1 year with driver training

- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years
- . More than 6 years

Board Decision

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years without driver training
- . More than 3 years up to and including 6 years with driver training
- . More than 6 years

Reasons

1. The reasons follow those set forth for principal drivers.

Category of Insurance: Personal Vehicles - Private Passenger
Automobile
Class of Risk Exposure: Abstinence

Classification Options

O. Reg. 406/88	Mercer Composite Classes	Mercer Option
Abstinence	Abstinence	Abstinence
Non-abstinence	Non-abstinence	Non-abstinence

Board Decision

Abstinence
Non-Abstinence

Reasons

1. The consequences of driving while intoxicated have long been established.
2. While there is no universal practice of recognizing abstinence, a few insurers do explicitly recognize it. One company relies heavily upon this class.
3. The main feature of differentiation is that of total abstinence from alcohol.
4. Social policy favors recognition of abstinence.

Comments

1. The Board recognizes the verification problems inherent with this class of risk exposure.

Category of Insurance: Personal Vehicles - Private Passenger
Automobile
Class of Risk Exposure: Conviction History

Classification Options

O. Reg. 406/88

The number of "serious," "major," "minor" convictions over a three year period.

Mercer Composite Classes

The practice among surveyed insurers is very diverse with respect to convictions, definitions, surcharge mechanisms, etc. Some insurers do not directly surcharge for convictions, but place risks with convictions in a different "plan" with higher rates. Some insurers directly surcharge for convictions, but define chargeable convictions differently. Some insurers use convictions as criteria for qualifying for special rate classes, while other insurers do not recognize convictions.

Mercer Option

The number of "serious," "major," "minor" convictions over a three year period.

Board Decision

1. Risks will be classified in accordance with the number of "serious," "major," "minor" convictions incurred over a three year period.
2. The Technical Committee will recommend to the Board:
 - a) uniform definitions of "serious," "major," and "minor" convictions;
 - b) a transition process for treating convictions that have occurred prior to the effective date of the Board's inaugural rates;
 - c) a method to deal with rerating that may arise upon the final resolution of a conviction.

Reasons

1. The general rationale of using convictions is that individuals with poor driving habits tend to incur more claims. Also, conviction records are used as a surrogate for poor driving experience.
2. Conviction records are heavily relied upon by the insurers specializing in the non-standard market.
3. Conviction experience is an element of a bonus-malus classification plan advocated by the Consumers' Association of Canada (Ontario).

Comments

1. The Board recognizes the importance and implications of establishing uniform definitions for chargeable convictions.
2. The Board also recognizes the difficulty companies will face in verifying conviction history, and the cost of obtaining that information.

Category of Insurance: Personal Vehicles - Private Passenger
Automobile
Class of Risk Exposure: Vehicle Claim History

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
The number of vehicle claims over a five year period.	The number of vehicle claims that have occurred over various experience periods.	The number of vehicle claims that have occurred over the past six years.
	The number of consecutive years of claim-free vehicle operation within a six year period.	The number of consecutive years of claim-free vehicle operation within a six year period.
	Note: Actual application of these two factors varies from company to company. For example, the definition of chargeable claims varies among companies. In addition, some insurers "forgive" certain claims.	

Board Decision

1. Risks will be classified in accordance with the number of vehicle claims that have occurred over a six year period.
2. Risks will be classified in accordance with the most recent number of consecutive years of claim-free vehicle operation within a six year period.

3. The Technical Committee will recommend to the Board:
 - a) a uniform definition of chargeable vehicle claim;
 - b) a transition process for treating claims that have occurred prior to the effective date of the Board's inaugural rates;
 - c) a method to deal with rerating that may arise upon the final resolution of a claim.

Reasons

1. It is recognized that drivers with prior at-fault claims have a greater propensity for future claims.
2. Claim experience is central to a bonus-malus classification system.
3. The six year experience period is consistent with that captured under the Superintendent's Statistical Plan.
4. The use of the number of the most recent consecutive years of claim-free experience in addition to the number of claims approximates a bonus/malus rating feature.
5. Claim history is heavily relied upon by the insurers specializing in the non-standard market.

Comments

1. The Board may, in the future, decide to increase the experience period beyond six years.
2. The Board recognizes the importance and implications of establishing a uniform definition of a chargeable claim.
3. The Board also recognizes the difficulties companies will face in verifying vehicle claim history.
4. The Board favours a forgiveness feature of the type included in O. Reg. 406/88, but also recognizes that the treatment of all claims that occurred prior to the effective date of the Board's inaugural rates must be addressed.
5. The Board notes that the selected classes of Vehicle Claim History are more easily adapted to a bonus/malus classification system than O. Reg. 406/88.

Category of Insurance: Personal Vehicles - Private Passenger Automobile
 Class of Risk Exposure: Number of Vehicles

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. 1 car	1 car	1 car
. 2 or more cars insured under the same policy where there is less than three drivers on the policy	2-4 cars	2-4 cars

Board Decision

1. . 1 private passenger automobile
 . 2-4 private passenger automobiles, per owner, insured
 with the same company
2. The Technical Committee will address the question of
 whether fleets should be excluded from Part II of the Act.
3. The Technical Committee will also deal with the application
 of this classification in situations where the vehicles are
 not all of the same type.

Reasons

1. The statistical validity of multi-vehicle discounts is
 clearly established.
2. The use of multi-vehicle discounts is prevalent within the
 industry.
3. The appropriateness of multi-vehicle discounts, in cases
 where the vehicles are not of the same type, is not clearly
 established.
4. Some companies insure only one vehicle per policy.

Comments

1. The validity of a multi-vehicle discount may be lessened
 should the Board adopt the use of a per policy expense
 constant in rating.

Category of Insurance: Personal Vehicles - Private Passenger Automobile
 Class of Risk Exposure: Vehicle Type (Make, Model, and Model Year)

Classification Options

O. Reg. 406/88

- . Vehicles with a price new that exceeds \$75,000 are excluded from the requirements of Part II of the Act.
- . Other vehicles are assigned a vehicle rating group number (1-28) that depends upon the make & model, and model year (1988, 1987, 1981, 1980-1977, 1976 or earlier).
- . Vehicles not listed, or which are subject to SEF 19 or 19a, are categorized by value:
 - . \$3,500 or less
 - . more than \$3,500 up to and including \$7,000
 - . more than \$7,000 up to and including \$10,000
 - . more than \$10,000 up to and including \$15,000
 - . more than \$15,000 up to and including \$20,000
 - . more than \$20,000 up to and including \$25,000
 - . more than \$25,000 up to and including \$35,000
 - . more than \$35,000 up to and including \$45,000
 - . more than \$45,000 up to and including \$60,000
 - . more than \$60,000 up to and including \$75,000

Mercer Composite Classes

- . Current practice almost universally makes use of make & model, and model year (or age of vehicle) as a means of classifying automobiles. There are several tables in common use today, and while the classification of automobiles varies to some extent, there are few "structural" (i.e. referring to the tabular make/model and model year axes, not the assignment of rating groups) differences in the manner automobiles are classified.

- For vehicles which are not listed, a variety of tables based on different ranges of vehicle values are used, eg.

<u>Co. A</u>	<u>Co. B</u>	<u>Co. C</u>
\$ 1,600*	\$ 1,100*	\$ 3,500*
2,150	1,500	7,000
2,750	1,800	10,000
3,100	2,100	15,000
3,500	2,500	20,000
5,000	3,000	
7,000	3,500	
9,000	4,500	
12,500	6,000	
16,000	7,000	
20,000	8,000	
24,000	9,000	
29,000	10,000	
34,000		

- * Each value represents the end-point of an interval bounded on the low end by the previous value plus \$1.

Mercer Option

- Vehicles with a price new that exceeds \$75,000 should be excluded from the requirements of Part II of the Act.
- Vehicles with a price new of \$75,000 or less should be classified by make & model, and model year. The current IAO table should serve as the basic "structure" for this classification scheme.
- Vehicles not listed on the table (i.e. no corresponding make & model), or which are subject to SEF 19 or 19a, should be categorized by value in accordance with the following table:

	up to \$ 1,000
\$ 1,001 -	\$ 2,000
2,001 -	3,000
3,001 -	4,000
4,001 -	5,000
5,001 -	6,000
6,001 -	7,000
7,001 -	8,000
8,001 -	9,000
9,001 -	10,000
10,001 -	12,000
12,001 -	14,000
14,001 -	16,000
16,001 -	18,000
18,001 -	20,000
20,001 -	25,000
25,001 -	30,000

(continuing in
\$5,000 increments)

70,001 -	75,000
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Board Decision

1. Vehicles with a price new that exceeds \$100,000 will be excluded from the requirements of Part II of the Act.
2. Vehicles with a price new of \$100,000 or less will be classified by make & model, and model year in accordance with the current IAO table structure.
3. The Technical Committee will recommend to the Board a procedure for classifying vehicles into rate groups, including vehicles over 15 years of age, vehicles subject to SEF 19 or 19a, high performance vehicles, and customized vehicles.

Reasons

1. It has been demonstrated that the particular make and model of a vehicle bears a significant relationship to claim costs in physical damage insurance.
2. It is common practice for insurers to use make and model as rating variables.
3. The current IAO table of makes & models captures the vast bulk (if not all) makes and models of automobiles on the road.

4. The Board wishes to make Part II of the Act more inclusive, and so has raised the upper vehicle value limit to \$100,000.
5. The Board acknowledges the submission of the Vehicle Code Service (Exhibit 8.8) which recommends the Board's designation of the VCS as "the agency/committee responsible for developing and administering vehicle rating groups on behalf of the OAIB in accordance with procedures approved and mandated by the Board" As this issue touches upon aspects of both classification and rate making, the Committee will address it and recommend a position to the Board.
6. As the classification of unlisted vehicles, including older vehicles, vehicles subject to SEF 19 or 19a, high performance and customized vehicles is related to the VCS submission, the Committee will address this subject as well.

Comments

1. The Board recognizes that vehicle coding practices vary within the industry (many companies utilize the IBC vehicle code while others capture the VIN), and that conversion to one uniform method will be difficult. The Board favours the capturing of the VIN, but does not feel that sufficient evidence has been presented addressing the implications of doing so. Therefore, the Committee will deal with this issue in its deliberations on the statistical plan.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Annual Driving Distance

Classification

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. Same as private passenger automobile	. Same as private passenger automobile	. Same as private passenger automobile

Board Decision

0 - 6,000 km
 6,001 - 12,000
 12,001 or over

Reasons

- . The Board's reasons follow those set forth for private passenger automobiles. However, the value ranges reflect the seasonal usage of motorcycles.

Comments

1. Refer to Class of Risk Exposure - Vehicle Use for discussion of "limited use motorcycle."

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Vehicle Use

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
Pleasure Commute Business Limited	. Same as private passenger automobile	. Same as private passenger automobile

Board Decision

Pleasure
Commute
Business

Reasons

1. The Board's reasons follow those set forth for private passenger automobiles.
2. The Board finds that the "limited use motorcycle" classification under O. Reg. 406/88 is best accommodated through the annual driving distance (0 - 6,000 km), use (pleasure), and model year (age 15 or older) classes of risk exposure.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Territory

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. Same as private passenger automobile	. Same as private passenger automobile	. Same as private passenger automobile

Board Decision

- . Territory classification definitions will follow those adopted for private passenger automobiles.

Reasons

- . The Board's reasons follow those set forth for private passenger automobiles.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Driving Experience (Number of Years
 Licensed) - Principal Driver

Classification Options

O. Reg. 406/88

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years
- . More than 6 years up to and including 14 years
- . More than 14 years

Mercer Composite Classes

- . Same categories as for private passenger automobiles

Mercer Option

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years
- . More than 6 years

Board Decision

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years without driver training
- . More than 3 years up to and including 6 years with driver training
- . More than 6 years

Reasons

- . The Board's reasons follow those set forth for private passenger automobiles.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Driving Experience (Number of Years
 Licensed) - Secondary Driver

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. Not applicable	. Same categories as for private passenger automobiles	. Same categories as for private passenger automobiles

Board Decision

- . Under 1 year without driver training
- . Under 1 year with driver training
- . At least 1 year up to and including 3 years without driver training
- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years without driver training
- . More than 3 years up to and including 6 years with driver training
- . More than 6 years

Reasons

- . The Board's reasons follow those set forth for private passenger automobiles.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Abstinence

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. Same as private passenger automobile	. Same as private passenger automobile	. Same as private passenger automobile

Board Decision

Abstinence
 Non-abstinence

Reasons

- . The Board's reasons follow those set forth for private passenger automobiles.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Conviction History

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. Same as for private passenger automobiles	. Same as for private passenger automobiles	. Same as for private passenger automobiles

Board Decision

1. Risks will be classified in accordance with the number of "serious," "major," "minor" convictions over a three year period.
2. The Technical committee will recommend to the Board:
 - a) uniform definitions of "serious," "major," and "minor" convictions;
 - b) a transition process for treating convictions that have occurred prior to the effective date of the Board's inaugural rates;
 - c) a method to deal with rerating that may arise upon the final resolution of a conviction.

Reasons

- . The Board's reasons follow those set forth for private passenger automobiles.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Vehicle Claim History

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. Same as private passenger automobile	. Same as private passenger automobile	. Same as private passenger automobile

Board Decision

1. Risks will be classified in accordance with the number of vehicle claims that have occurred over a six year period.
2. Risks will also be classified in accordance with the number of most recent consecutive years of claim-free vehicle operation within a six year period.
3. The Technical Committee will recommend to the Board:
 - a) a uniform definition of chargeable vehicle claim;
 - b) a transition process for treating claims that have occurred prior to the effective date of the Board's inaugural rates;
 - c) a method to deal with rerating that may arise upon the final resolution of a claim.

Reasons

- . The Board's reasons follow those set forth for private passenger automobiles.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Number of Vehicles

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. Same as private passenger automobile	. Same as private passenger automobile	. Same as private passenger automobile

Board Decision

1. . 1 motorcycle
 . 2-4 motorcycles, per owner, insured with the same company
2. The Technical Committee will deal with the application of this classification in situations where the vehicles are not all of the same type.

Reasons

- . The Board's reasons follow those set forth for private passenger automobiles.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Vehicle Type (Make, Model, and Model Year)

Classification Option

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
. Not applicable	. Not applicable	. Not applicable

Board Decision

1. The Technical Committee will deal with the question of how such classification is to be effected. At a minimum, a "fifteen years or older" age group is to be identified.

Reasons

1. Evidence submitted indicates that make & model, and model year are significant determinants of motorcycle risk exposure.
2. As a class of risk exposure for motorcycles, make & model, and model year is not widely used by insurance companies today.
3. Additional information is required by the Board to decide upon the structure of vehicle type classes for motorcycles.

Comments

1. Refer to Category of Insurance: Historic Vehicles.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Vehicle Value

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
\$ 0 - \$ 1,000	\$ 0 - \$ 300	\$ 0 - \$ 300
1,001 - 2,000	301 - 500	301 - 500
2,001 - 3,000	501 - 1,000	501 - 1,000
3,001 - 4,000	1,001 - 1,500	1,001 - 1,500
4,001 - 5,000	1,501 - 2,500	1,501 - 2,500
5,001 - 6,000	2,501 - 3,500	2,501 - 3,500
6,001 - 8,000	3,501 - 4,500	3,501 - 4,500
8,001 - 10,000	4,501 - 6,000	4,501 - 6,000
10,001 - 15,000	6,001 - 7,500	6,001 - 7,500
15,001 - 20,000	7,501 - 9,000	7,501 - 9,000
	9,001 or over	9,001 or over
(continuing in \$5,000 increments)		
70,001 - 75,000		

Board Decision

- Vehicles valued at over \$100,000 are excluded from the requirements of Part II of the Act.
- | |
|---------------------------------------|
| \$ 0 - \$ 300 |
| 301 - 500 |
| 501 - 1,000 |
| 1,001 - 1,500 |
| 1,501 - 2,000 |
| 2,001 - 2,500 |
| 2,501 - 3,000 |
| 3,001 - 3,500 |
| 3,501 - 4,000 |
| 4,001 - 4,500 |
| 4,501 - 5,000 |
| 5,001 - 6,000 |
| |
| (continuing in
\$1,000 increments) |
| |
| 24,001 - 25,000 |
| 25,001 - 30,000 |
| |
| (continuing in
\$5,000 increments) |
| |
| 95,001 - 100,000 |

3. The basis for the vehicle value, that is manufacturer's list price new or agreed value, etc. will be addressed by the Committee.

Reasons

1. There is no uniformity of vehicle value ranges within the industry.
2. There is no industry uniformity for the basis (i.e. list price new or agreed value, etc.) of the vehicle value ranges, and so the Board seeks additional information on this issue from the Committee.
3. The Board will utilize a vehicle value range table that is appropriate for trailers, off-road vehicles, and snow vehicles as well.
4. The Board finds that additional value ranges beyond those under either O. Reg. 406/88 or the Mercer Option are necessary for rating equity.

Comments

1. The use of the vehicle value table for motorcycles is subject to the Board's final decision on the manner in which motorcycles will be classified by make & model, and model year.

Category of Insurance: Personal Vehicles - Motorcycle
 Class of Risk Exposure: Engine Displacement

Classification Options

<u>O. Reg. 406/88</u>	<u>Mercer Composite Classes</u>	<u>Mercer Option</u>
0 - 49 cc	0 - 49 cc	0 - 49 cc
50 - 250	50 - 100	50 - 100
251 - 500	101 - 200	101 - 200
501 - 650	201 - 250	201 - 250
651 - 900	251 - 300	251 - 300
901 cc or over	301 - 400	301 - 400
	401 - 450	401 - 450
	451 - 500	451 - 500
	501 - 600	501 - 600
	601 - 650	601 - 650
	651 - 700	651 - 700
	701 - 750	701 - 750
	751 - 900	751 - 900
	901 - 1,000	901 - 1,000
	1,001 - 1,500	1,001 - 1,500
	1,501 cc or over	1,501 cc or over

Board Decision

0 - 50 cc
 51 - 100
 ~ 101 - 250
 251 - 500
 501 - 650
 651 - 900
 901 cc or over

Reasons

1. While engine displacement is commonly used by insurance companies today to classify motorcycles for rating purposes, evidence reviewed by the Board suggests that make and model may be more relevant considerations in determining risk exposure. The Board therefore finds that the many small range groupings of engine displacement suggested by the Mercer Composite Classes are not called for.
2. An additional engine displacement range (51-100 cc) beyond those under O. Reg. 406/88 is created to accommodate smaller motorcycles as well as snow and off-road vehicles.

Comments

1. The break at 50 cc as opposed to 49 cc is subject to the Technical Committee's recommended definition of motor-assisted bicycle.

Category of Insurance: Personal Vehicles - Trailer & Camper
Unit
Class of Risk Exposure: All

Classification Options

O. Reg. 406/88

- . Vehicle Value - Same value ranges as set forth for motorcycles.

Mercer Composite/Option

- . Territory - Same class definitions as set forth for private passenger automobiles.
- . Vehicle Type - Cabin
Utility
Other
- . Vehicle Value - \$ 0 - \$1,000
1,001 - 2,000
2,001 - 3,000
|
(continuing in
\$1,000 increments)
|
23,001 - 24,000
24,001 - 25,000
25,001 or over
- . Vehicle Age - Model year of trailer

Board Decision

- . Vehicle Type - Cabin
Utility
Tent
Camper Unit
Other

.	Vehicle Value - \$	0 - \$	300
		301 -	500
		501 -	1,000
		1,001 -	1,500
		1,501 -	2,000
		2,001 -	2,500
		2,501 -	3,000
		3,001 -	3,500
		3,501 -	4,000
		4,001 -	4,500
		4,501 -	5,000
		5,001 -	6,000
		(continuing in	
		\$1,000 increments)	
		24,001 -	25,000
		25,001 -	30,000
		(continuing in	
		\$5,000 increments)	
		95,001 -	100,000

Reasons

1. The Board does not view territory as an important determinant of trailer risk exposure.
2. The Board finds that type of trailer is an important determinant of trailer risk exposure, and notes that type of trailer is presently captured under the IAO Statistical Plan.
3. Tent trailers are separately identified under the IAO Statistical Plan.
4. Campers are distinguished from other trailer type vehicles under the IAO Statistical Plan.
5. The Board will utilize the same vehicle value range table for motorcycles, trailers, off-road vehicles, and snow vehicles.

Comments

1. The Technical Committee will address the question of whether motorhomes should remain excluded from Part II of the Act.
2. The Committee will define the various vehicle types, and recommend how "caps" are to be classified.
3. As is the case for motorcycles, the Board seeks additional information from the Technical Committee on the basis (i.e. agreed value or list price new) for the vehicle value ranges.

Category of Insurance: Personal Vehicles - Off-Road Vehicle
 Class of Risk Exposure: All

Classification Options

O. Reg. 406/88

- . Engine Displacement - Less than 100 cc
100 cc or over
- . Number of Vehicle Wheels - 2
3
4
more than 4
- . Vehicle Value - Same value ranges as set forth for motorcycles

Mercer Composite/Option

- . Territory - Same class definitions as set forth for private passenger automobiles.
- . Vehicle Type - All Terrain Vehicles
Dune Buggies
Trail Bikes
Mini Bikes
Golfmobiles
- . Engine Displacement - Use horsepower (or engine displacement, if horsepower is not available)

0 - 25 hp	0 - 300 cc
26 - 50	301 - 600
51 hp or over	601 cc or over
- . Number of Wheels - 2
3
4
more than 4
- . Vehicle Age - Model year of vehicle
- . Driving Experience - Same classes as set forth for private passenger automobiles (principal and secondary driver).

- . Vehicle Claim History - Same classes as set forth for private passenger automobiles.
- . Conviction History - Same classes as set forth for private passenger automobiles.
- . Vehicle Value - \$ 0 - \$ 500
 - 501 - 1,000
 - 1,001 - 1,500
 - 1,501 - 2,000
 - 2,001 - 3,000
 - 3,001 - 4,000
 - 4,001 - 5,000
 - 5,001 - 6,000
 - 6,001 - 7,000
 - 7,001 - 8,000
 - 8,001 - 9,000
 - 9,001 - 10,000
 - 10,001 - 15,000
 - 15,001 - 20,000
 - |
 - (continuing in
 - \$5,000 increments)
 - |
 - 60,001 - 65,000
 - 65,001 - 75,000

Board Decision

- . Vehicle Type - All Terrain Vehicles
 - Mini Bikes
 - Trail Bikes
 - Dune Buggies
 - Golfmobiles
 - Other
- . Engine Displacement - 0 - 50 cc
 - 51 - 100
 - 101 - 250
 - 251 - 500
 - 501 - 650
 - 651 - 900
 - 901 cc or over
- . Number of Wheels - 2
 - 3
 - 4
 - more than 4
- . Vehicle Value - Same value ranges as set forth for motorcycles.

- . Driving Experience - Same principal and secondary driver classes as prescribed for private passenger automobiles.
- . Vehicle Claim History - Same classes as prescribed for private passenger automobiles.
- . Conviction History - Same classes of "major," "minor," and "serious" convictions as prescribed for private passenger automobiles.

Reasons

1. The Board does not view territory as an important determinant of off-road vehicle risk exposure.
2. The Board finds that the type of off-road vehicle is an important determinant of risk exposure.
3. The Board desires a single criterion for measuring "power", and selected engine displacement as that criterion. The ranges will be the same as those applicable to motorcycles.
4. The Board finds number of wheels is an important determinant of risk exposure, particularly for all-terrain vehicles.
5. The Board does not consider age of vehicle to be an important determinant of off-road vehicle exposure (beyond that which is reflected in the value of the vehicle).
6. The Board will utilize the same vehicle value range table for motorcycles, trailers, off-road vehicles, and snow vehicles.
7. The Board finds driving experience, vehicle claim history, and conviction history to be important determinants of risk exposure for off-road vehicles.

Category of Insurance : Personal Vehicles - Snow Vehicles
 Class of Risk Exposure: All

Classification Options

O. Reg. 406/88

- . Vehicle Value - Same value ranges as set forth for motorcycles.

Mercer Composite/Option

- . Engine Displacement - Use horsepower (or engine displacement, if horsepower is not available)

0 - 25 hp	0 - 300 cc
26 - 50	301 - 600
51 hp or over	601 cc or over
- . Vehicle Value - Same value ranges as set forth for off-road vehicles.
- . Driving Experience - Same classes as set forth for private passenger automobiles (principal and secondary driver).
- . Vehicle Claim History - Same classes as set forth for private passenger automobiles.
- . Conviction History - Same classes of "major," "minor," and "serious" convictions as set forth for private passenger automobiles.

Board Decision

- . Engine Displacement -

0 -	50 cc
51 -	100
101 -	250
251 -	500
501 -	650
651 -	900
901 cc or over	
- . Vehicle Value - Same value ranges as set forth for motorcycles.

- . Driving Experience - Same principal and secondary driver classes as prescribed for private passenger automobiles.
- . Vehicle Claim History - Same classes as prescribed for private passenger automobiles.
- . Conviction History - Same classes of "major," "minor," and "serious" convictions as prescribed for private passenger automobiles.

Reasons

1. The Board desires a single criterion for measuring "power", and selected engine displacement as that criterion. The ranges will be the same as those applicable to motorcycles.
2. The Board will utilize the same vehicle value range table for motorcycles, trailers, off-road vehicles, and snow vehicles.
3. The Board finds driving experience, vehicle claim history, and conviction history to be important determinants of risk exposure for snow vehicles.

Category of Insurance: Personal Vehicles - Historic Vehicles
 Class of Risk Exposure: All

Classification Options

O. Reg. 406/88

. Vehicle Value - \$ 0 - \$ 3,000
 3,001 - 6,000
 6,001 - 10,000
 10,001 - 15,000
 15,001 - 20,000
 20,001 - 25,000
 25,001 - 35,000
 35,001 - 45,000
 45,001 - 60,000
 60,001 - 75,000

Mercer Composite/Option

- . Territory - Same class definitions as set forth for private passenger automobiles.
- . Vehicle Claim History - Same classes as set forth for private passenger automobiles.
- . Vehicle Value - \$ 0 - \$ 2,500
 2,501 - 3,000
 3,001 - 3,500
 3,501 - 4,500
 4,501 - 6,000
 6,001 - 7,000
 |
 (continuing in
 \$1,000 increments)
 |
 74,001 - 75,000
- . Vehicle Use - Same classes as set forth for private passenger automobiles.
- . Annual Driving Distance - Same range values as set forth for private passenger automobiles.
- . Driving Experience - Same classes as set forth for private passenger automobiles (principal and secondary driver).

- . Conviction History - Same classes as set forth for private passenger automobiles.
- . Abstinence - Same classes as set forth for private passenger automobiles.
- . Number of Vehicles - Same classes as set forth for private passenger automobiles.
- . Model Year - Same classes as set forth for private passenger automobiles.

Board Decision

- . Vehicle Claim History - Same classes as prescribed for private passenger automobiles.
- . Vehicle Value -
 - . above \$2,500 - Same value ranges as set forth for motorcycles;
 - . Up to \$2,500 - one range (\$0 - \$2,500).
- . Driving Experience - Same principal and secondary driver classes as prescribed for private passenger automobiles.
- . Conviction History - Same classes of "major," "minor," and "serious" convictions as set forth for private passenger automobiles.
- . Vehicle Type -
 - . Private passenger automobile
 - . Motorcycle

Reasons

1. The Board does not view territory, annual driving distance, abstinence, or number of vehicles as important determinants of risk exposure for historic vehicles.
2. The Board considers vehicle claim history, driving experience, and conviction history to be important determinants of risk exposure for historic vehicles, and will follow the same classification structures as prescribed for private passenger automobiles.

3. It is unlikely that there is a sufficient number of Historic Vehicles below \$2,500 to justify the same value ranges as prescribed for motorcycles.
4. Model year (or age) of the vehicle is inherent within the definition of Historic Vehicle.
5. The Board finds that a classification distinction should be made between historic private passenger automobiles and historic motorcycles.

Category of Insurance : Commercial Vehicles - Commercial
 Vehicles Other Than Trailers
 Class of Risk Exposure: All

Classification Options

O. Reg. 406/88

- . Vehicle Class -
 - . Interurban (radius of travel greater than 150 km)
 - . Non-interurban
- . Territory - Same class definitions as set forth for private passenger automobiles.
- . Vehicle Use - Over sixty-six vehicle use classes for non-interurban vehicles, and ten vehicle use classes for interurban vehicles. The class definitions are the same as those captured under the IAO statistical plan.
- . Vehicle Weight - Light (gross vehicle weight of 5 tonnes or less)
 Heavy (gross vehicle weight greater than 5 tonnes)

(Note, the vehicle type classes contemplate the following distinctions by weight:

Pick-ups, vans, utility, and wagons:

up to 2.5 metric tonnes
 2.51 - 3.5
 3.51 - 4.5

Platform or Stake Truck:

up to 2.5 metric tonnes
 2.51 - 3.5
 3.51 - 8.6
 8.61 - 11.0

)

. Radius of Operation -

Public Haulage
Vehicles

0 - 39 km
40 - 80
81 - 150

Interurban
Vehicles

151 - 450 km
451 - 950
951 or over

. Driving Experience (Number of years licensed for the Principal and Secondary Drivers) and Period of Ownership.

Years of Driving
Experience if Drivers
Can Be Identified

Under 1 year
At least 1 year up to
3 years
More than 3 years up
to 6 years
More than 6 years up
to 14 years
More than 14 years up
to 34 years
More than 34 years

Years Vehicle Owned/Leased
if Drivers Cannot Be
Identified

Under 1 year
At least 1 year up to
3 years
More than 3 years

. Conviction History - Same categories as set forth for private passenger automobiles where drivers can be identified.

. Vehicle Claim History - The number of vehicle claims that have occurred over a five year period where the drivers can be identified, or three years where the drivers cannot be identified.

. Vehicle Type -

. Vehicles with a price new that exceeds \$250,000 are excluded from the requirements of Part II of the Act.

. Pick-ups, vans, utility, wagons; and platform or stake trucks are assigned a vehicle rating group number (1-12) that depends upon the make & model, and model year (1988, 1987, 1977, 1976-1973).

- . Vehicles not listed are categorized by value and age as follows:

<u>Value</u>	<u>Age</u>
Up to \$7,500	Under 3 years
More than \$ 7,500 up to \$ 15,000	At least 3 years but
More than 15,000 up to 22,500	less than 6 years
More than 22,500 up to 30,000	At least 6 years
More than 30,000 up to 45,000	
More than 45,000 up to 60,000	
(continuing in \$15,000 increments)	
More than \$235,000 up to \$250,000	

Mercer Composite/Option

- . Territory - Same class definitions as set forth for private passenger automobiles.
- . Vehicle Use - Same as O. Reg. 406/88 except that one table of use classes would apply to interurban and non-interurban vehicles.
- . Vehicle Weight -
 - 0 - 5,500 lbs
 - 5,501 - 6,000
 - 6,001 - 7,800
 - 7,801 - 10,000
 - 10,001 - 20,000
 - 20,001 lbs or over
- . Radius of Operation -
 - 0 - 40 km
 - 41 - 80
 - 81 - 160
 - 161 - 320
 - 321 - 640
 - 641 - 950
 - 951 km or over
- . Driving Experience (Number of Years Licensed for the Principal and Secondary Drivers) and Period of Ownership

Years of Driving
Experience if Drivers
Can be Identified

Under 1 year with
driver training
Under 1 year without
driver training
At least 1 year up to
3 years with driver
training
At least 1 year up to
3 years without
driver training
More than 3 years up to
6 years
More than 6 years

Years Vehicle Owned/Leased
if Drivers Cannot Be
Identified

Under 1 year
At least 1 year up to 3 years
More than 3 years

- . Conviction History - Same as O. Reg. 406/88.
- . Vehicle Claim History -
 - . The number of vehicle claims with a six year period.
 - . The number of consecutive years of claim-free vehicle operation within six years.
- . Vehicle Type - Same as O. Reg. 406/88, except that
unlisted vehicles are categorized by model
year and value as follows:

\$	0 -	3,400
	3,401 -	4,500
	4,501 -	5,800
	5,801 -	7,600
	7,601 -	10,000
	10,001 -	13,000
	13,001 -	17,500
	17,501 -	22,500
	22,501 -	27,500
	27,501 -	32,500
	32,501 -	45,000
	45,001 -	52,000
	52,001 -	60,000
	60,001 -	68,000
	68,001 -	76,000

(continuing in
\$8,000 increments)

244,001 - 250,000

- . U.S. Exposure - 0 - 10%
 - 11 - 20
 - 21 - 30
 - 31 - 40
 - 41 - 50
 - 51% or over

Board Decision

- . Vehicle Class -
 - . Interurban (radius of operation greater than 160 km)
 - . Non-interurban (radius of operation no greater than 160 km)
- . Territory - Same class definitions as set forth for private passenger automobiles.
- . Vehicle Use - The O. Reg. 406/88 vehicle use classes for non-interurban and interurban vehicles.
- . Vehicle Weight -
 - up to 2.5 metric tonnes
 - 2.51 - 3.5
 - 3.51 - 4.5
 - 4.51 - 8.6
 - 8.61 - 11.0
- . Radius of Operation -
 - 0 - 40 km
 - 41 - 80
 - 81 - 160
 - 161 - 320
 - 321 - 640
 - 641 - 950
 - 951 km or over
- . Driving Experience (Number of Years Licensed for the Principal and Secondary Driver) and Period of Ownership.

Years of Driving
Experience if Drivers
Can be Identified

Under 1 year with
driver training
Under 1 year without
driver training
At least 1 year up to
3 years with driver
training
At least 1 year up to
3 years without
driver training
More than 3 years up to
6 years with driver
training
More than 3 years up to
6 years without
driver training
More than 6 years

Years Vehicle Owned/Leased
if Drivers Cannot Be
Identified

Under 1 year
At least 1 year up to 3 years
More than 3 years

- . Conviction History - Same categories as set forth for private passenger automobiles where drivers can be identified.
- . Vehicle Claim History -
 - . The number of vehicle claims that have occurred over a six year period, and the number of most recent consecutive years of claim-free vehicle operation within six years where the drivers can be identified.
 - . The number of vehicle claims that have occurred over a three year period, and the number of most recent consecutive years of claim-free vehicle operation within a three year period where the drivers cannot be identified.
- . Vehicle Type -
 - . Vehicles with a price new that exceeds \$250,000 are excluded from the requirements of Part II of the Act.
 - . Pick-ups, vans, utility, wagons; platform and stake trucks will be assigned a vehicle rating group number (1-12) that depends upon the make & model, and model year (1988, 1987, 1977, 1976-1973), and weight (as described under O. Reg. 406/88).

- . Vehicles not listed, or those subject to SEF 19 or 19a are categorized by model year, and value in accordance with the following table:

<u>Value</u>	
\$	0 - 3,400
	3,401 - 4,500
	4,501 - 5,800
	5,801 - 7,600
	7,601 - 10,000
	10,001 - 13,000
	13,001 - 17,500
	17,501 - 22,500
	22,501 - 27,500
	27,501 - 32,500
	32,501 - 45,000
	45,001 - 52,500
	52,501 - 60,000
	60,001 - 68,000
	(continuing in
	\$8,000 increments)
	244,001 - 250,000

Reasons

1. Retention of interurban and non-interurban classes will help in the consumers understanding of the commercial classification plan.
2. The Board finds that territory is an important determinant of risk exposure for commercial vehicles. Use of the private passenger automobile territory class definitions will facilitate consumer understanding.
3. The O. Reg. 406/88 vehicle use classes are utilized by many companies today (although with different radius of operation ranges - see below).
4. The Board finds the finer weight classifications used by the industry today are necessary for rate equity.
5. The differences between the radius of travel ranges under O. Reg. 406/88 and those of the Mercer Composite/Option are small. Therefore, to minimize transition difficulties, the Board selected the range values consistent with current industry practice.

6. The Board's reasons for the driving experience and conviction history classes follow those set forth for private passenger automobiles.
7. To minimize transition difficulties, the Board favours the use of the Mercer Composite/Option vehicle type value table. Use of model year as opposed to age allows for the possibility of model year rating of commercial vehicles.

Comments

1. The Technical Committee must review the definition of identified driver under O. Reg. 406/88 with regard to the use of the term "employee" as opposed to "independent contractor."
2. The concerns expressed by the Board regarding the make & model classifications of private passenger vehicles extend to commercial vehicles as well. The Committee should therefore include commercial vehicles (and taxis) in examining this matter.
3. The Board is not convinced that commercial vehicles (and public vehicles) with U.S. exposure should not be subject to Part II of the Act, and would like additional information from the Committee on this issue: How many companies use % U.S. exposure as a classification variable? Why? What has been the experience? Doesn't the state in which the vehicle operates have a bearing on risk exposure? How do companies deal with exposure in other provinces?

Category of Insurance : Commercial Vehicles - Trailers
 Class of Risk Exposure: All

Classification Options

O. Reg. 406/88

- . Territory - For non-interurban towing vehicles only; classify in accordance with the territory of the towing vehicle.
- . Radius of Operation - For interurban towing vehicles only; classify in accordance with the same radius of operation range as that of the towing vehicle.
- . Use - Cargo
Specific Function
- . Trailer Type - Semi-Trailer
Gooseneck
Trailer Converted Dolly
Pup Trailer
Trailer Train
Other
- . Vehicle Claim History - Classify in accordance with the vehicle claim history of the towing vehicle.
- . Vehicle Value - Classify by value and age in accordance with the following tables:

<u>Value</u>	<u>Age</u>
\$ 0 - 7,500	Under 3 years
7,501 - 15,000	At least 3 years but
15,001 - 22,500	less than 6 years
22,501 - 30,000	At least 6 years
30,001 - 45,000	
45,001 - 60,000	
60,001 - 75,000	
(continuing in	
\$15,000 increments)	
235,001 - 250,000	

Mercer Composite/Option

- . Territory - Classify in accordance with the territory of the towing vehicle.
- . Use - Cargo
Specific Function
- . Radius of Operation - Classify in accordance with the radius of operation of the towing vehicle.
- . Driving Experience - Classify in accordance with the driving experience of the towing vehicle.
- . Conviction History - Classify in accordance with the conviction history of the towing vehicle.
- . Vehicle Claim History - Classify in accordance with the vehicle claim history of the towing vehicle.
- . Trailer Type - Semi-Trailer
Gooseneck
Trailer Converted Dolly
Pup Trailer
Trailer Train
Other

- . Vehicle Value - Classify by model year, and value in accordance with the following table:

<u>Value</u>		
\$	0 -	3,400
	3,401 -	4,500
	4,501 -	5,800
	5,801 -	7,600
	7,601 -	10,000
	10,001 -	13,000
	13,001 -	17,500
	17,501 -	22,500
	22,501 -	27,500
	27,501 -	32,500
	32,501 -	45,000
	45,001 -	52,500
	52,501 -	60,000
	60,001 -	68,000
(continuing in \$8,000 increments)		
	244,001 -	250,000

- . U.S. Exposure - Classify in accordance with the U.S. exposure class of the towing vehicle.

Board Decision

- . Territory - Classify in accordance with the territory of the towing vehicle.
- . Use - Cargo
Specific Function
- . Radius of Operation - Classify in accordance with the radius of operation of the towing vehicle.
- . Driving Experience - Classify in accordance with the driving experience of the towing vehicle.
- . Conviction History - Classify in accordance with the conviction history of the towing vehicle.
- . Vehicle Claim History - Classify in accordance with the vehicle claim history of the towing vehicle.

- . Trailer Type - Semi-Trailer
Gooseneck
Trailer Converted Dolly
Pup Trailer
Trailer Train
Other
- . Vehicle Value - Classify by model year, and value in accordance with the following table:

Value

\$	0 -	3,400
	3,401 -	4,500
	4,501 -	5,800
	5,801 -	7,600
	7,601 -	10,000
	10,001 -	13,000
	13,001 -	17,500
	17,501 -	22,500
	22,501 -	27,500
	27,501 -	32,500
	32,501 -	45,000
	45,001 -	52,500
	52,501 -	60,000
	60,001 -	68,000

|
(continuing in
\$8,000 increments)

|
244,001 - 250,000

Reasons

1. The Board finds that unlike the case for private passenger automobile trailers, commercial trailers should be classified in accordance with the risk characteristics of the towing vehicle.

Category of Insurance: Public Vehicles - Other Than Taxis & Limousines
 Class of Risk Exposure: All

Classification Options

O. Reg. 406/88

	<u>Interurban Bus</u>	<u>Non-interurban Bus</u>
Vehicle Use:	Charter Non-charter	School Bus - school use only School Bus - including other activities Hotel or Country Club bus Charter bus Private use bus Other bus Funeral vehicle Ambulance
Radius of Operation:	151 - 450 km 451 - 950 km More than 950 km	Not applicable
Vehicle Claim History:	The number of vehicle claims over a three year period	The number of vehicle claims over a three year period
Number of Passenger Seats:	1 - 14 seats 15 - 40 More than 40	1 - 14 seats 15 - 40 More than 40
Vehicle Value:	Classify by value and age in accordance with the following tables:	

<u>Interurban Bus</u>	<u>Non-interurban Bus</u>
\$ 0 - 7,500	\$ 0 - 7,500
7,501 - 15,000	7,501 - 15,000
15,001 - 22,500	15,001 - 22,500
22,501 - 30,000	22,501 - 30,000
30,001 - 45,000	30,001 - 45,000
(continuing in	(continuing in
\$15,000 increments)	\$15,000 increments)
235,001 - 250,000	235,001 - 250,000

<u>Interurban Bus</u>	<u>Non-interurban Bus</u>
0 - 2 years	0 - 2 years
3 - 6	3 - 6
More than 6	More than 6

Territory: Not applicable

Same class
definitions as for
private passenger
automobiles

Mercer Composite/Option

Vehicle Use: School bus - school use only
School bus - including other activities
Hotel or Country Club bus
Charter bus
Private Use bus
Other bus
Funeral vehicle
Ambulance

Radius of
Operation: 0 - 25 km
26 - 80
81 - 160
161 - 240
241 - 480
481 - 960
961 km and over

Vehicle Claim
History: The number of vehicle claims over a six year
period.

The number of consecutive years of claim-free
vehicle operation within six years.

Number of
Passenger
Seats:

1 - 8 seats
9 - 12
13 - 16
17 - 20
21 - 24
24 - 28
(continuing in increments of 4)

Vehicle Value: Classify by model year, and value in
accordance with the following table:

\$ 0 - 5,000
5,001 - 10,000
10,001 - 15,000
15,001 - 20,000
20,001 - 25,000
25,001 - 30,000
30,001 - 45,000
|
(continuing in
\$15,000 increments)
|
150,001 and over

Territory: Same definitions as for private passenger
automobile.

Board Decision

Vehicle Use: Charter bus
School bus - school use only
School bus - including other activities
Hotel or Country Club bus
Private Use bus
Public Bus
Other bus
Funeral vehicle
Ambulance

Radius of
Operation:

0 - 25 km
26 - 80
81 - 160
161 - 240
241 - 480
481 - 960
961 km and over

**Vehicle Claim
History:**

The number of vehicle claims that have occurred over a three year experience period.

The number of most recent consecutive years of claim-free vehicle operation within three years.

**Number of
Passenger Seats:**

1 - 12 seats
13 - 20
21 - 29
30 - 40
41 - 60
61 and over

Vehicle Value:

Classify by model year, and value in accordance with the following table:

\$	0 -	7,500
	7,501 -	15,000
	15,001 -	22,500
	22,501 -	30,000
	30,001 -	45,000
	(continuing in	
	\$15,000 increments)	
	235,001 -	250,000

Territory:

Same class definitions as for private passenger automobiles.

Reasons

1. The Board finds that radius of operation should be a class of risk exposure for all public vehicles other than taxis and limousines.
2. To minimize premium dislocation, the Board will retain the radius of operation intervals used today by many companies.
3. Consistent with its treatment of commercial vehicles for which the drivers cannot be identified, the Board will limit the vehicle claim history experience period to three years.
4. To minimize premium dislocation, the Board will retain the number of passenger seat intervals used today by many companies.

5. To minimize premium dislocation, the Board will retain the vehicle value table used today by many companies.
6. For consistency and ease in understanding, the same territory definitions as used for private passenger automobiles will be adopted.

Category of Insurance: Public Vehicles - Taxis and Limousines
 Class of Risk Exposure: All

Classification Options

O. Reg. 406/88

Territory:

Same class definition as for private passenger automobile.

Vehicle Use:

Taxi - owner operated
 Taxi - operated by identified drivers
 Taxi - other
 Limousine - airport use
 Limousine - other

Vehicle Claim History:

The number of vehicle claims over a five year experience period for owner operated or identified driver taxis, or over a three year experience period for other taxis and limousines.

Driving Experience (Number of years licensed) - Principal Driver:

- a) Owner operated taxis or taxis with identified drivers:
 - . Under 1 year without driver training
 - . Under 1 year with driver training
 - . At least 1 year up to and including 3 years without driver training
 - . At least 1 year up to and including 3 years with driver training
 - . More than 3 years up to and including 6 years
 - . More than 6 years up to and including 14 years
 - . More than 14 years up to and including 34 years
 - . More than 34 years
- b) Other taxis and limousines:
 - . Not applicable

Driving Experience (Number of years licensed) - Secondary Driver:

- a) Owner operated taxis or taxis with identified drivers:
 - . Under 1 year without driver training
 - . Under 1 year with driver training
 - . At least 1 year up to and including 3 years without driver training
 - . At least 1 year up to and including 3 years with driver training
 - . More than 3 years up to and including 6 years
 - . More than 6 years up to and including 14 years
 - . More than 14 years up to and including 34 years
 - . More than 34 years
- b) Other taxis and limousines:
 - . Not applicable

Conviction History:

- a) Owner operated taxis or taxis with identified drivers:
 - . The number of "serious," "major" or "minor" convictions over the past three years.
- b) Other taxis and limousines:
 - . Not applicable

Vehicle Type:

Vehicles with a price new that exceeds \$75,000 are excluded from the requirements of Part II of the Act.

Other vehicles are assigned a vehicle rating group number (1-28) that depends upon the make and model, and model year (1988, 1987, 1986, ... 1980-1977, 1976 or earlier).

Vehicles not listed or which are subject to SEF 19 or 19a are categorized by value:

\$3,500 or less
 3,501 - 7,000
 7,001 - 10,000
 10,001 - 15,000
 15,001 - 20,000
 20,001 - 25,000
 25,001 - 35,000
 35,001 - 45,000
 45,001 - 60,000
 60,001 - 75,000

Mercer Composite/Option

Territory:

Same class definition as for private passenger automobile.

Vehicle Use:

Taxi - owner operated
 Taxi - operated by identified drivers
 Taxi - other
 Limousine - airport use
 Limousine - other

Vehicle Claim History:

The number of vehicle claims over a six year experience period.

The number of consecutive years without a claim over a six year period.

Driving Experience (Number of years licensed) - Principal and Secondary Driver:

- a) Owner operated taxis or taxis with identified drivers:
 - . Under 1 year without driver training
 - . Under 1 year with driver training
 - . At least 1 year up to and including 3 years without driver training
 - . At least 1 year up to and including 3 years with driver training
 - . More than 3 years up to and including 6 years
 - . More than 6 years

b) Other taxis and limousines:

. Not applicable

Conviction History:

a) Owner operated taxis or taxis with identified drivers:

. The number of "serious," "major" or "minor" convictions over a three year period.

b) Other taxis and limousines:

. Not applicable

Vehicle Type:

Vehicles with a price new that exceeds \$75,000 are excluded from the requirements of Part II of the Act.

Vehicles with a price new of \$75,000 or less are assigned a vehicle rating group number in accordance with the table set forth under O. Reg. 406/88.

Vehicles not listed on the table, or which are subject to SEF 19 or 19a are categorized by value in accordance with the following table:

Up to \$1,000
1,001 - 2,000
2,001 - 3,000
(continuing in intervals of \$1,000)
9,001 - 10,000
10,001 - 12,000
(continuing in intervals of \$2,000)
20,001 - 25,000
25,001 - 30,000
(continuing in intervals of \$5,000)
70,001 - 75,000

Board Decision

Territory:

Same class definition as for private passenger automobile.

Vehicle Use:

Taxi - owner operated
 Taxi - operated by identified drivers
 Taxi - other
 Limousine - airport use
 Limousine - other

Number of Drivers:

Taxis: 1
 2
 3
 More than 3

Limousines: Not applicable

Ownership:

Taxis: Owned
 Leased Plate

Limousines: Not applicable

Vehicle Claim History:

- . The number of vehicle claims that have occurred over a six year experience period, and the number of most recent consecutive years of claim-free vehicle operation over a six year period - where the drivers can be identified.
- . The number of vehicle claims over a three year experience period, and the number of most recent consecutive years of claim-free vehicle operation over a three year period.

Driving Experience (Number of years licensed) - Principal and Secondary Driver:

- a) Owner operated taxis or taxis with identified drivers:
 - . Under 1 year without driver training
 - . Under 1 year with driver training
 - . At least 1 year up to and including 3 years without driver training

- . At least 1 year up to and including 3 years with driver training
- . More than 3 years up to and including 6 years without driver training
- . More than 3 years up to and including 6 years with driver training
- . More than 6 years

b) Other taxis and limousines:

- . Not applicable

Conviction History:

a) Owner operated taxis or taxis with identified drivers:

- . The number of "serious," "major" or "minor" convictions over a three year period.

b) Other taxis and limousines:

- . Not applicable

Vehicle Type

Vehicles with a price new that exceeds \$75,000 are excluded from the requirements of Part II of the Act.

Vehicles with a price new of \$75,000 or less are classified by make and model, and model year.

The committee will recommend to the Board a procedure for classifying vehicles into rate groups, including vehicles over 15 years of age, vehicles subject to SEF 19 or 19a, high performance vehicles and customized vehicles.

Reasons

1. Territory is generally accepted as an important determinant of risk exposure for taxis and limousines, and is used widely by companies today to classify risks. Use of the private passenger automobile territory class definitions will facilitate consumer understanding.
2. The selected vehicle use classes address the concerns raised by Sunrise Co-operative Inc. of the need to distinguish between taxis and limousines.

3. Evidence and testimony by Sunrise and Kingsway General suggests the further classification of taxis by number of operators and whether the vehicle is owned or leased.
4. The reasons set forth for the Board's decision with respect to automobile driving experience, conviction history and vehicle type apply to taxis and limousines as well.

Comments

1. Testimony was presented by Sunrise on the effects of a sound risk management program on loss experience and the appropriateness of establishing "risk management" as a class of risk exposure. The Board feels that both the merits and practicalities of identifying "risk management" as a class of risk exposure need to be more fully examined.
2. The Technical Committee will address the definition of "identified drivers" with respect to employees vs independent contractors.

O. Reg. 406/88 Territory Classification Definitions

- Territory 1 The Municipality of Metropolitan Toronto
- Territory 2 The Corporation of the Town of Markham, the Corporation of the Town of Richmond Hill and the Corporation of the Town of Vaughan; the Corporation of the City of Brampton and the Corporation of the City of Mississauga; the part of the Corporation of the Town of Caledon on and south of the Bolton-Terra Cotta Road
- Territory 3 The Regional Municipality of Halton
- Territory 4 The Regional Municipality of Hamilton-Wentworth
- Territory 5 The part of the Regional Municipality of Durham excluding the Corporation of the Township of Brock and the part of the Corporation of the Township of Scugog north of Highway 47 on a line east to Lake Scugog and that portion of the Corporation of the Township of Uxbridge formerly known as the Corporation of the Township of Scott, County of Ontario; the Corporation of the Town of Aurora, the Corporation of the Town of Newmarket, the Corporation of the Town of Whitchurch-Stouffville and the Corporation of the Township of King south of Highway 9; the Corporation of the Town of Caledon north of the Bolton-Terra Cotta Road; the Corporation of the Town of Orangeville
- Territory 6 The Corporation of the City of Ottawa, the Corporation of the City of Gloucester, the Corporation of the City of Kanata, the Corporation of the City of Nepean, the Corporation of the City of Vanier and the Corporation of the Village of Rockcliffe Park
- Territory 7 The Regional Municipality of Haldimand-Norfolk; the Corporation of the County of Elgin and the Corporation of the County of Kent
- Territory 8 The Corporation of the Town of Harrow, the Corporation of the Town of Kingsville and the Corporation of the Town of Leamington; the part of the Corporation of the County of Essex excluding the areas in Territory 21

- Territory 9 The Corporation of the County of Bruce and the Corporation of the County of Grey; the Corporation of the County of Dufferin excluding the Corporation of the Town of Orangeville
- Territory 10 The Corporation of the County of Simcoe; the Corporation of the Town of East Gwillimbury, the Corporation of the Town of Georgina and part of the Corporation of the Township of King north of Highway 9; the Corporation of the Township of Brock, the part of the Corporation of the Township of Scugog north of Highway 47 on a line to Lake Scugog and the Scott portion of the Corporation of the Township of Uxbridge
- Territory 11 The District Municipality of Muskoka and the Corporation of the County of Haliburton; the part of the District of Parry Sound excluding the Corporation of the Township of North Himsworth
- Territory 12 The Corporation of the City of Peterborough and the Corporation of the Village of Lakefield; the Corporation of the Town of Lindsay; the Corporation of the Town of Cobourg and the Corporation of the Town of Port Hope; the Corporation of the City of Belleville and the Corporation of the City of Trenton and the part of the Corporation of the Township of Sidney and the Corporation of the Township of Thurlow, south of Highway 401; the Corporation of the City of Kingston and part of the Corporation of the Township of Kingston and the Corporation of the Township of Pittsburgh south of Highway 401
- Territory 13 The Corporation of the County of Lennox and Addington and the Corporation of the County of Prince Edward; the part of the Corporation of the County of Victoria excluding the area in Territory 12; the part of the Corporation of the County of Peterborough excluding the area in Territory 12; the part of the Corporation of the County of Northumberland excluding the Cobourg-Port Hope area; the part of the Corporation of the County of Hastings excluding the Corporation of the City of Belleville and the Corporation of the City of Trenton and the part of the Corporation of the Township of Sidney and the

Corporation of the Township of Thurlow south of Highway 401 and the part of the Corporation of the County of Frontenac, excluding the Corporation of the City of Kingston and the part of the Corporation of the Township of Pittsburgh south of Highway 401

- Territory 14 The Corporation of the United Counties of Prescott and Russell; the Glengarry and Stormont portions of the Corporation of the United Counties of Stormont, Dundas and Glengarry
- Territory 15 The Regional Municipality of Sudbury
- Territory 16 The District of Algoma, the District of Cochrane, the District of Manitoulin, the District of Sudbury excluding the Regional Municipality of Sudbury and the District of Timiskaming; the part of the District of Nipissing excluding the Corporation of the City of North Bay, and the Corporation of the Township of East Ferris
- Territory 17 The Corporation of the City of North Bay and the Corporation of the Township of East Ferris and the Corporation of the Township of North Himsworth
- Territory 18 The Corporation of the City of Thunder Bay, the Corporation of the Township of Oliver, the Corporation of the Township of Paipoonge, the Corporation of the Township of Shuniah (Ward of McGregor) and the geographic Township of Gorham
- Territory 19 The District of Kenora and the District of Rainy River; the part of the District of Thunder Bay, excluding the Corporation of the City of Thunder Bay, the Corporation of the Township of Oliver, the Corporation of the Township of Paipoonge, the Corporation of the Township of Shuniah (Ward of McGregor) and geographic Township of Gorham
- Territory 20 The part of the Regional Municipality of Niagara consisting of the Corporation of the City of Niagara Falls and the Corporation of the Town of Fort Erie

- Territory 21 The Corporation of the City of Windsor, the Corporation of the Town of Amherstburg, the Corporation of the Town of Belle River, the Corporation of the Town of Essex, the Corporation of the Town of Tecumseh; the Corporation of the Village of St Clair Beach; the Corporation of the Township of Anderdon, the Corporation of the Township of Maidstone, the Corporation of the Township of West Sandwich and the Corporation of the Township of South Sandwich
- Territory 22 The Corporation of the City of Cambridge, the Corporation of the City of Kitchener, the Corporation of the City of Waterloo and the Corporation of the Township of North Dumfries, - the Corporation of the Township of Woolwich (only the portion formerly known as the Township of Waterloo); the Corporation of the City of Brantford, the Corporation of the Township of Oakland, the Corporation of the Township of Onondaga, the Corporation of the Township of South Dumfries and the Six Nations Indian Reserve #40, New Credit Indian Reserve #40(a), Glebe Indian Farm Reserve #40(b); the Corporation of the City of Guelph, the Corporation of the Village of Erin, the Corporation of the Township of Eramosa, the Corporation of the Township of Guelph and the Corporation of the Township of Puslinch
- Territory 23 The part of the Regional Municipality of Niagara, excluding the Corporation of the City of Niagara Falls and the Corporation of the Town of Fort Erie
- Territory 24 The Corporation of the City of London, the Corporation of the Township of Westminster and the part of the Corporation of the Township of London on and south of the road between the tenth and eleventh concessions
- Territory 25 The Corporation of the City of Sarnia, the Corporation of the Town of Clearwater and the part of the Corporation of the Township of Moore on and north of Highway 80 and west of Highway 40 (east part dividing Lots 24 and 25)

- Territory 26 The Corporation of the County of Huron, the Corporation of the County of Oxford and the Corporation of the County of Perth; the Corporation of the Township of Burford; the Corporation of the County of Lambton excluding the Corporation of the City of Sarnia, the Corporation of the Town of Clearwater and the Corporation of the Township of Moore on the north of Highway 80 and west of Highway 40 (east part dividing Lots 24 and 25); the Corporation of the County of Middlesex, excluding the Corporation of the City of London, the Corporation of the Township of Westminister and the part of the Corporation of the Township of London on and south of the road between the tenth and eleventh concessions; the Corporation of the Township of Wellesley, the Corporation of the Township of Wilmot, the Corporation of the Township of Woolwich (excluding the portion formerly known as the Township of Waterloo); the Corporation of the Town of Fergus, the Corporation of the Town of Harriston, the Corporation of the Town of Mount Forest, the Corporation of the Town of Palmerston, the Corporation of the Village of Arthur, the Corporation of the Village of Clifford, the Corporation of the Village of Drayton, the Corporation of the Village of Elora and the Corporation of the Township of Arthur, the Corporation of the Township of Minto, the Corporation of the Township of Peel, the Corporation of the Township of West Garafraxa, the Corporation of the Township of Maryborough, the Corporation of the Township of Nichol, the Corporation of the Township of Pilkington, the Corporation of the Township of West Luther
- Territory 27 The Corporation of the United Counties of Leeds and Grenville; the Dundas portion of the Corporation of the United Counties of Stormont, Dundas and Glengarry and the part of the Regional Municipality of Ottawa-Carleton, excluding the Corporation of the City of Gloucester, the Corporation of the City of Kanata, the Corporation of the City of Nepean, the Corporation of the City of Vanier, and the Corporation of the Village of Rockcliffe Park
- Territory 28 The Corporation of the County of Lanark and the Corporation of the County of Renfrew

Mercer Composite Territory Classification Definitions

- Territory 1 District of Rainy River, District of Thunder Bay excluding parts defined in Territory 2.
- Territory 2 City of Thunder Bay, Townships of Gorham, McGregor, McIntyre, Neebing, Oliver, Paipoonge.
- Territory 3 District of Kenora.
- Territory 4 District of Algoma, District of Cochrane, District of Manitoulin, District of Sudbury excluding the Regional Municipality of Sudbury, District of Timiskaming, District of Nipissing excluding parts defined in Territory 6.
- Territory 5 Regional Municipality of Sudbury.
- Territory 6 City of North Bay, Township of East Ferris, Township of North Himsworth.
- Territory 7 Corporation of the County of Lanark and the Corporation of the County of Renfrew.
- Territory 8 Parts of the City of Ottawa contained in the following Delivery and Forward Sortation Areas: K1G K1L K1P K1H K1M K1R K1K K1Z K1N K1S K2B K2A K2P.
- Territory 9 Parts of the Regional Municipality of Ottawa-Carleton consisting of the City of Ottawa (excluding parts contained in Territory 8), Cities of Nepean, Gloucester, Vanier, Kanata (March & Nepean portions), the Village of Rockcliffe Park and towns and villages on the boundaries of the Territory.
- Territory 10 Regional Municipality of Ottawa-Carleton excluding parts contained in territories 8 and 9, Corporation of the United Counties of Leeds and Grenville.
- Territory 11 Corporation of the United Counties of Prescott Township & Russell; Stormont portion of the United Counties of Stormont, Dundas and Glengarry.

- Territory 12 Dundas portion of the United Counties of Stormont, Dundas and Glengarry.
- Territory 13 Glengarry portion of the United Counties of Stormont, Dundas and Glengarry.
- Territory 14 The Corporation of the City of Peterborough and the Corporation of the Village of Lakefield; the Corporation of the Town of Lindsay; the Corporation of the Town of Cobourg and the Corporation of the Town of Port Hope; the Corporation of the City of Belleville and the Corporation of the City of Trenton and the part of the Corporation of the Township of Sidney and the Corporation of the Township of Thurlow, south of Highway 401; the Corporation of the City of Kingston and the part of the Corporation of the Township of Kingston and the Corporation of the Township of Pittsburgh south of Highway 401.
- Territory 15 Corporation of the County of Lennox and Addington; Corporation of the County of Prince Edward; Corporation of the County of Frontenac excluding portions in Territory 14; part of the Corporation of the County of Hastings, south of Highway 7 excluding portions in Territory 14.
- Territory 16 Part of the Corporation of the County of Hastings, north of Highway 7; Corporation of the County of Peterborough excluding portions in Territory 14; Corporation of the County of Northumberland excluding portions in Territory 14; Corporation of the County of Victoria excluding portions in Territory 14.
- Territory 17 District Municipality of Muskoka; Corporation of the County of Haliburton; District of Parry Sound excluding the Township of North Himsworth.
- Territory 18 Part of the Regional Municipality of Durham including the Townships of Cartwright, Clarke and Darlington.
- Territory 19 Part of the Regional Municipality of Durham excluding portions in Territory 18 and the Corporation of the Township of Brock and part of the Corporation of Scugog, north of Highway 47 on a line east to Lake Scugog and that portion of the Corporation of the Township of Uxbridge formerly known as the Corporation of the Township of Scott.

- Territory 20 Part of the Regional Municipality of Durham not included in Territories 18 and 19.
- Territory 21 The Corporation of the County of Simcoe.
- Territory 22 The Town of Orangeville.
- Territory 23 Part of the Corporation of the County of Dufferin, south of Highway 89, not including the Town of Orangeville; Part of the Corporation of the County of Bruce not included in Territory 24.
- Territory 24 Part of the Corporation of the County of Dufferin north of Highway 89, the Corporation of the County of Grey; Part of the Corporation of the County of Bruce, south of Highway 21 which are:
- A) on and east of Bruce County Road 10 between the towns of Allenford and Chesley
 - B) on and south of Bruce County Road 11 between Chesley and Paisley
 - C) southeast of Bruce County Road 1
 - D) on and east of Bruce County Road 20 and Highway 4.
- Territory 25 Part of the Regional Municipality of Niagara including the City of Niagara Falls and the Town of Fort Erie.
- Territory 26 Part of the Regional Municipality of Niagara including the Townships of Stamford, Willowby and Bertie excluding the portions in Territory 25.
- Territory 27 Part of the Regional Municipality of Niagara not included in Territories 25 and 26.
- Territory 28 The Corporation of the Town of Whitchurch-Stouffville; Part of the Corporation of the County of Peel north of the Bolton Terra-Cotta Road.
- Territory 29 The Corporation of the Township of King south of Highway 9.
- Territory 30 The Corporation of the Town of Markham; the Corporation of the Town of Vaughan; the Corporation of the City of Brampton; the Corporation of the City of Mississauga, north of Highway 401.

- Territory 31 The Corporation of the City of Mississauga, south of Highway 401.
- Territory 32 The Corporation of the Town of Richmond Hill.
- Territory 33 The Corporation of the Town of Newmarket; the Corporation of the Town of Aurora.
- Territory 34 The Corporation of the Town of East Gwillimbury; the Corporation of the Town of Georgina; Part of the Corporation of the Township of King, north of Highway 9.
- Territory 35 The Corporation of the City of Burlington; the Corporation of the City of Oakville.
- Territory 36 Parts of the Regional Municipality of Halton, excluding portions in Territory 35.
- Territory 37 The Corporation of the City of Cambridge; the Corporation of the City of Kitchener; the Corporation of the City of Waterloo.
- Territory 38 The Corporation of the Township of North Dumfries; part of the County of Wellington consisting of the City of Guelph and the Townships of Eramosa, Erin, Guelph, Puslinch; portions of the Corporation of the County of Woolwich (formerly known as the County of Waterloo).
- Territory 39 Remainder of the Corporation of the County of Wellington, not included in Territory 38.
- Territory 40 The Corporation of the Township of Burford; the Corporation of the County of Oxford.
- Territory 41 The Corporation of the County of Huron; the Corporation of the County of Perth.
- Territory 42 Regional Municipality of Haldimand-Norfolk; the Corporation of the County of Elgin.
- Territory 43 The Corporation of the County of Kent.

- Territory 44 The Corporation of the City of Windsor; the Corporation of the of Amherstburg; the Corporation of the of Belle River; the Corporation of the Town of Essex, the Corporation of the Town of Tecumseh; the Corporation of the Village of St. Clair Beach; the Corporation of the Township of Anderdon; the Corporation of the Township of Maidstone; the Corporation of the Township of West Sandwich and the Corporation of the Township of South Sandwich.
- Territory 45 The Corporation of the Town of Harrow; the Corporation of the Town of Kingsville and the Corporation of the Town of Leamington; the part of the Corporation of the County of Essex excluding the areas in Territory 44.
- Territory 46 The Corporation of the City of Sarnia; the Corporation of the Town of Clearwater and the part of the Corporation of the Township of Moore on and north of Highway 80 and west of Highway 40 (east part dividing Lots 24 and 25).
- Territory 47 Remainder of the Corporation of the Townships of Sarnia and Moore (that part on and north of 4th and 5th concessions and west of the road between 2nd and 3rd concessions), not included in Territory 46.
- Territory 48 Remainder of the Corporation of the County of Lambton excluding portions in Territories 46 and 47.
- Territory 49 The Corporation of the City of London; the Corporation of the Township of Westminster; the Corporation of the Township of London (that part on and south of the road between the 10th and 11th concessions).
- Territory 50 Remainder of the Corporation of the County of Middlesex.
- Territory 51 Part of the Corporation of the City of Hamilton contained in the following Delivery and Forward Sortation areas: L8E L8K L8N L8S L8G L8L L8P L8H L8M L8R.

- Territory 52 Remainder of the City of Hamilton not contained in Territory 51; the Corporation of the City of Stoney Creek; the Corporation of the City of Ancaster; the Corporation of the City of Dundas.
- Territory 53 Remainder of the Regional Municipality of Hamilton-Wentworth not contained in Territories 51 and 52.
- Territory 54 Part of the City of Scarborough, south of Highway 401 and west to Markham Road to Highland Creek to Scarborough Golf Club Road, extended to Lake Ontario.
- Territory 55 Remainder of the City of Scarborough not included in Territory 54; the Willowdale district of the City of North York.
- Territory 56 Part of the City of Etobicoke, north of Highway 401; Part of the City of North York, north of Highway 401 and west of Yonge Street, not included in Territory 55.
- Territory 57 Remainder of the cities of Weston, Downsview, Rexdale and Etobicoke, not included in Territory 56.
- Territory 58 Remainder of the Municipality of Metropolitan Toronto not included in Territories 54, 55, 56 and 57.

Board Territory Classification Definitions

- Territory 1 Part of the City of Scarborough, south of Highway 401 and west to Markham Road to Highland Creek to Scarborough Golf Club Road, extended to Lake Ontario.
- Territory 2 Remainder of the City of Scarborough not included in Territory 1; the Willowdale district of the City of North York.
- Territory 3 Part of the City of Etobicoke, north of Highway 401; Part of the City of North York, north of Highway 401 and west of Yonge Street, not included in Territory 2.
- Territory 4 Remainder of the cities of Weston, Downsview, Rexdale and Etobicoke, not included in Territory 3.
- Territory 5 Remainder of the Municipality of Metropolitan Toronto not included in Territories 1, 2, 3 and 4.
- Territory 6 The Corporation of the Town of Markham, the Corporation of the Town of Richmond Hill and the Corporation of the Town of Vaughan; the Corporation of the City of Brampton and the Corporation of the City of Mississauga; the part of the Corporation of the Town of Caledon on and south of the Bolton-Terra Cotta Road
- Territory 7 The Regional Municipality of Halton
- Territory 8 The Regional Municipality of Hamilton-Wentworth
- Territory 9 The part of the Regional Municipality of Durham excluding the Corporation of the Township of Brock and the part of the Corporation of the Township of Scugog north of Highway 47 on a line east to Lake Scugog and that portion of the Corporation of the Township of Uxbridge formerly known as the Corporation of the Township of Scott, County of Ontario; the Corporation of the Town of Aurora, the Corporation of the Town of Newmarket, the Corporation of the Town of Whitchurch-Stouffville and the Corporation of the Township of King south of Highway 9; the Corporation of the Town of Caledon north of the Bolton-Terra Cotta Road; the Corporation of the Town of Orangeville

- Territory 10 The Corporation of the City of Ottawa, the Corporation of the City of Gloucester, the Corporation of the City of Kanata, the Corporation of the City of Nepean, the Corporation of the City of Vanier and the Corporation of the Village of Rockcliffe Park
- Territory 11 The Regional Municipality of Haldimand-Norfolk; the Corporation of the County of Elgin and the Corporation of the County of Kent
- Territory 12 The Corporation of the Town of Harrow, the Corporation of the Town of Kingsville and the Corporation of the Town of Leamington; the part of the Corporation of the County of Essex excluding the areas in Territory 25
- Territory 13 The Corporation of the County of Bruce and the Corporation of the County of Grey; the Corporation of the County of Dufferin excluding the Corporation of the Town of Orangeville
- Territory 14 The Corporation of the County of Simcoe; the Corporation of the Town of East Gwillimbury, the Corporation of the Town of Georgina and part of the Corporation of the Township of King north of Highway 9; the Corporation of the Township of Brock, the part of the Corporation of the Township of Scugog north of Highway 47 on a line to Lake Scugog and the Scott portion of the Corporation of the Township of Uxbridge
- Territory 15 The District Municipality of Muskoka and the Corporation of the County of Haliburton; the part of the District of Parry Sound excluding the Corporation of the Township of North Himsworth
- Territory 16 The Corporation of the City of Peterborough and the Corporation of the Village of Lakefield; the Corporation of the Town of Lindsay; the Corporation of the Town of Cobourg and the Corporation of the Town of Port Hope; the Corporation of the City of Belleville and the Corporation of the City of Trenton and the part of the Corporation of the Township of Sidney and the Corporation of the Township of Thurlow, south of Highway 401; the Corporation of the City of Kingston and part of the Corporation of the Township of Kingston and the Corporation of the Township of Pittsburgh south of Highway 401

- Territory 17 The Corporation of the County of Lennox and Addington and the Corporation of the County of Prince Edward; the part of the Corporation of the County of Victoria excluding the area in Territory 16; the part of the Corporation of the County of Peterborough excluding the area in Territory 16; the part of the Corporation of the County of Northumberland excluding the Cobourg-Port Hope area; the part of the Corporation of the County of Hastings excluding the Corporation of the City of Belleville and the Corporation of the City of Trenton and the part of the Corporation of the Township of Sidney and the Corporation of the Township of Thurlow south of Highway 401 and the part of the Corporation of the County of Frontenac, excluding the Corporation of the City of Kingston and the part of the Corporation of the Township of Pittsburgh south of Highway 401
- Territory 18 The Corporation of the United Counties of Prescott and Russell; the Glengarry and Stormont portions of the Corporation of the United Counties of Stormont, Dundas and Glengarry
- Territory 19 The Regional Municipality of Sudbury
- Territory 20 The District of Algoma, the District of Cochrane, the District of Manitoulin, the District of Sudbury excluding the Regional Municipality of Sudbury and the District of Timiskaming; the part of the District of Nipissing excluding the Corporation of the City of North Bay, and the Corporation of the Township of East Ferris
- Territory 21 The Corporation of the City of North Bay and the Corporation of the Township of East Ferris and the Corporation of the Township of North Himsworth
- Territory 22 The Corporation of the City of Thunder Bay, the Corporation of the Township of Oliver, the Corporation of the Township of Paipoonge, the Corporation of the Township of Shuniah (Ward of McGregor) and the geographic Township of Gorham

- Territory 23 The District of Kenora and the District of Rainy River; the part of the District of Thunder Bay, excluding the Corporation of the City of Thunder Bay, the Corporation of the Township of Oliver, the Corporation of the Township of Paipoonge, the Corporation of the Township of Shuniah (Ward of McGregor) and geographic Township of Gorham
- Territory 24 The part of the Regional Municipality of Niagara consisting of the Corporation of the City of Niagara Falls and the Corporation of the Town of Fort Erie
- Territory 25 The Corporation of the City of Windsor, the Corporation of the Town of Amherstburg, the Corporation of the Town of Belle River, the Corporation of the Town of Essex, the Corporation of the Town of Tecumseh; the Corporation of the Village of St Clair Beach; the Corporation of the Township of Anderdon, the Corporation of the Township of Maidstone, the Corporation of the Township of West Sandwich and the Corporation of the Township of South Sandwich
- Territory 26 The Corporation of the City of Cambridge, the Corporation of the City of Kitchener, the Corporation of the City of Waterloo and the Corporation of the Township of North Dumfries, - the Corporation of the Township of Woolwich (only the portion formerly known as the Township of Waterloo); the Corporation of the City of Brantford, the Corporation of the Township of Oakland, the Corporation of the Township of Onondaga, the Corporation of the Township of South Dumfries and the Six Nations Indian Reserve #40, New Credit Indian Reserve #40(a), Glebe Indian Farm Reserve #40(b); the Corporation of the City of Guelph, the Corporation of the Village of Erin, the Corporation of the Township of Eramosa, the Corporation of the Township of Guelph and the Corporation of the Township of Puslinch
- Territory 27 The part of the Regional Municipality of Niagara, excluding the Corporation of the City of Niagara Falls and the Corporation of the Town of Fort Erie

- Territory 28 The Corporation of the City of London, the Corporation of the Township of Westminster and the part of the Corporation of the Township of London on and south of the road between the tenth and eleventh concessions
- Territory 29 The Corporation of the City of Sarnia, the Corporation of the Town of Clearwater and the part of the Corporation of the Township of Moore on and north of Highway 80 and west of Highway 40 (east part dividing Lots 24 and 25)
- Territory 30 The Corporation of the County of Huron, the Corporation of the County of Oxford and the Corporation of the County of Perth; the Corporation of the Township of Burford; the Corporation of the County of Lambton excluding the Corporation of the City of Sarnia, the Corporation of the Town of Clearwater and the Corporation of the Township of Moore on the north of Highway 80 and west of Highway 40 (east part dividing Lots 24 and 25); the Corporation of the County of Middlesex, excluding the Corporation of the City of London, the Corporation of the Township of Westminster and the part of the Corporation of the Township of London on and south of the road between the tenth and eleventh concessions; the Corporation of the Township of Wellesley, the Corporation of the Township of Wilmot, the Corporation of the Township of Woolwich (excluding the portion formerly known as the Township of Waterloo); the Corporation of the Town of Fergus, the Corporation of the Town of Harriston, the Corporation of the Town of Mount Forest, the Corporation of the Town of Palmerston, the Corporation of the Village of Arthur, the Corporation of the Village of Clifford, the Corporation of the Village of Drayton, the Corporation of the Village of Elora and the Corporation of the Township of Arthur, the Corporation of the Township of Minto, the Corporation of the Township of Peel, the Corporation of the Township of West Garafraxa, the Corporation of the Township of Maryborough, the Corporation of the Township of Nichol, the Corporation of the Township of Pilkington, the Corporation of the Township of West Luther

- Territory 31 The Corporation of the United Counties of Leeds and Grenville; the Dundas portion of the Corporation of the United Counties of Stormont, Dundas and Glengarry and the part of the Regional Municipality of Ottawa-Carleton, excluding the Corporation of the City of Gloucester, the Corporation of the City of Kanata, the Corporation of the City of Nepean, the Corporation of the City of Vanier, and the Corporation of the Village of Rockcliffe Park
- Territory 32 The Corporation of the County of Lanark and the Corporation of the County of Renfrew

APPENDIX E

Technical Committee

TECHNICAL COMMITTEE

The Board has decided that a Technical Committee be established to consider and make recommendations on those matters that are necessary to resolve the implementation and definitional problems outlined elsewhere in this Decision. The Board is of the opinion that it is necessary to receive technical advice and input from a broadly based group.

The Committee is to make its recommendations on those matters referred to it on or before September 22, 1988. The Committee will report to the Board at a reconvening of this hearing.

It is necessary that the hearing be reconvened in order that other parties to this hearing have the opportunity to review the recommendations and examine those recommendations in public. The Board will consider all the evidence related to these matters before making its Decision.

The Board is aware that the Superintendent of Insurance for Ontario has certain interests in some of these matters, and to that extent, the Committee is requested to consult with the Superintendent where appropriate.

It was recommended by parties to the hearing that this technical group be small and be representative. The Board agrees. As such, the Board has determined that the Committee, to be chaired by Mr. Cooke, be created as follows:

Board Staff	3 persons	Cooke, Seeney, Zubulake
IBC	2 persons	IBC to select
CAC	1 person	CAC to select
IBAO	1 person	IBAO to select
Non Standard Insurers	1 person	to be named by the Board
Systems Consultant	1 person	to be retained by the Committee
Total	9 persons	

The terms of reference for the Committee are as follows:

1. Recommend definitions for classification variables, their associated values and terms, as outlined below:

Abstinence/Non-abstinence

Actual Cash Value

Agreed Value

Airport Limousine

All Terrain Vehicles

Ambulance

Annual Driving Distance (i.e., retrospective or prospective)

Artisan Vehicle

Bus

Business Use

Cabin Trailer (or Home Trailer)

Camper Unit (& Caps)

Cargo Use

Charter Bus

Commercial Vehicle

Commute Use

Coverage Deductible

Coverage Limit

Customized Vehicle

Dangerous Goods

Driver Training (i.e., what constitutes acceptable driver training)

Dune Buggy

Farm Tractors

Farm Use

Fleet

Funeral Vehicle

Golfmobile

Gooseneck Trailer (5th wheel)

Highway Tractor

Historic Vehicle (including application to vehicles other than private passenger vehicles)

Hotel or Country Club Bus

Identified Driver - Commercial, Taxi (including employee vs. independent contractor)

Interurban Bus

Interurban Vehicle

Leased Plate

Limousine

"Major," "Minor," "Serious" Conviction

Mini Bike

Model Year (for structurally rebuilt vehicles)

Motorcycle (including motor assisted bicycles)

Motor Home

Motorized Snow Vehicle
 Off-road Vehicle
 Operator's License
 "Other" Off-Road Vehicle (eg., Amphibious vehicles)
 "Other" Trailers and Camper Units
 "Owned" vs. "Leased" vs. "Under Contract"
 Owner-operated Taxi
 Personal Vehicle
 Pick-up, Utility, Van, Wagon, etc. type Commercial Vehicle
 Platform, Stake, etc. Truck
 Pleasure Use
 Price New (manufacturer's list price, or current year
 replacement cost, etc.)
 Principal Driver
 Private Passenger Automobile
 Private Use Bus
 Public Bus
 Public Vehicle
 Pup Trailer
 Radius of Operation - Commercial Vehicle; Public Vehicle
 Retail, Wholesale Delivery
 School Bus - Other Activities
 School Bus - School Use Only
 Secondary Driver
 Semi-Trailer
 Specific Function Use
 Taxi
 Tent Trailer
 Territory (i.e., garage, or principal place of use; multiple
 territory use)
 Trail Bike (or Dirt Bike)
 Trailer
 Trailer Converted Dolly
 Trailer Train
 Utility Trailer
 Vehicle Claim (chargeable)
 Vehicle Rate Group
 Vehicle Use
 Vehicle Weight
 Years Licensed (i.e., including or excluding suspensions or
 non-renewals)
 Other terms, as the Committee may recommend

2. Propose a set of rules addressing the following matters:

- a) Application of driver training (i.e., must the training be for the same type of vehicle as that being rated?).

- b) Application of years licensed (i.e., must the license be for the same type of vehicle as that being rated?).
- c) The assignment of drivers to vehicles.
- d) The experience period for claims and convictions (i.e., occurrence date, or settlement date, or processed date?).
- e) Rerating that may arise upon the final resolution of a conviction or a claim.
- f) The manner in which vehicle claims are to be counted (i.e., whether those involving the principal, secondary, or other operators are to be considered; the treatment of replacement vehicles; whether convictions are to be charged only against the type of vehicle in which they occurred; whether a claim surcharge is only to be applied against the type of coverage under which the claim was incurred?).
- g) Replica vehicles; Restored Vehicles.
- h) Children away at school, etc.
- i) Road construction equipment (eg., cranes, ditch digging equipment).
- j) The application of the multi-car discount (i.e., must all vehicles be of the same type?)
- k) The rating of high performance, customized, or vehicles over 15 years of age.
- l) The basis for determining vehicle value (i.e., price new, agreed value, actual cash value, market value, replacement value, etc.)
- m) The completeness of the commercial vehicle use class table.
- n) Cancellation procedures (i.e., short rate or pro rata; seasonal vs. non-seasonal vehicles; the specific short rate table to use).
- o) The manner of rating mid-term endorsements or other mid-term policy changes (i.e., which "rate set" applies?).

- p) The nature of the payment plan, service fees or installment fees; premium waivers.
- q) Minimum premium.
- r) Policy period.
- s) Police vehicles, Fire vehicles, Rental vehicles (daily and long-term).
- t) Premium rounding.
- u) The rating of "caps."
- v) Multi-use vehicles (i.e., both pleasure & commercial use).
- w) The assignment of trailers to vehicles (commercial).
- x) Tractors.
- y) Van pools.
- z) A transition process for treating chargeable and non-chargeable claims and convictions that have occurred before the effective date of the Board's inaugural rates.
- aa) Commercial vehicles used for pleasure.
- bb) The treatment of convertibles.
- cc) Non-pleasure use of Trailers & Camper Units, Off-Road Vehicles, and Snow Vehicles.
- dd) Other, as the Committee may recommend.

- 3. Propose standard coverage limits and deductibles.
- 4. Identify and advise of potential problems which may be associated with the Board's decision not to allow an insurer to do indirectly through an endorsement something that it could not do directly under the rules and rates set by the Board.
- 5. Propose standard wording for the form requesting information required under the classification and statistical plans.

6. Make recommendations as to what data are to be captured under the Board's statistical plan, and the tabular layouts of the data.
7. Recommend the means by which vehicles (including motorcycles) are to be assigned to rating groups. Consider (1) the Vehicle Code Service, (2) model year rating.
8. Review the need to reflect U.S. exposure within the classification plan.
9. Review the list of coverages for which rates are to be established.
10. Review the appropriateness of excluding motorhomes and fleets from Part II of the Act.

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